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The MAGAZINE of WALL STREET

and BUSINESS ANALYST

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By GEORGE L. MERTON

With a Breakdown of 1955 Corporate Statements and all Essential Investment Data

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The Firebird II, an experimental gas-turbine car, is a product of General Motors. Illustration: Page 228, Chrysler Corp.

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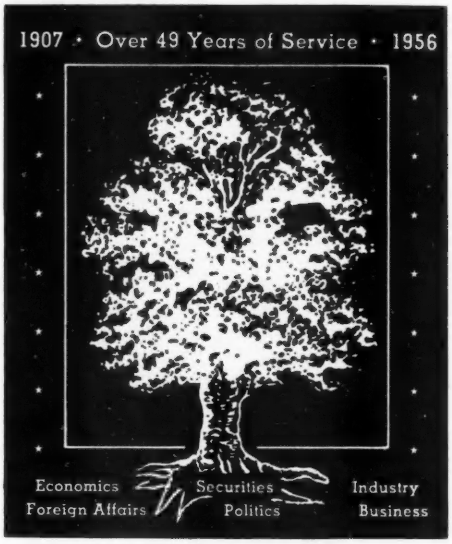
THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, *Editor-Publisher*



The Trend of Events

THE LURE OF TRADE... The British man in the street stole the show from the traveling troupe of Bulganin and Khruschev. There are no better-mannered people than Britons, yet they are capable of quickly chilling a visitor they deem undesirable. The Soviet leaders, fresh from their triumphal engagements in India, Burma and Afghanistan, came a social cropper in the United Kingdom.

But "Bulge and Krush," as they became known to iconoclastic Britons, did not come to London to secure a listing in Burke's Peerage. They were there to frighten the British out of the Western Alliance, to make it clear they intended to play a role in the Middle East and to expand trade with Britain.

It is at our peril that we underestimate the crucial importance of this developing commerce. It is axiomatic that the United Kingdom lives by foreign trade. That country now is beset by the rising competition of resurgent Germany and Japan, in addition to which Britain must vie in markets the world over with the United States.

Anglo-Soviet trade, of course, already is on a well-established basis and growing. United Kingdom exports to the Soviets last year toted up to more than $64 million, a jump of more than 100% from 1954. Indications are that this year will witness yet another increase in exports to the Soviets.

Britain has found an expanding market behind the Iron Curtain (which, gradually, has been raised since the demise of Stalin) for rubber and copper wire. Russia also has proven a good market for British electrical machinery, textile machinery, machine tools and allied products.

At the same time, Britain has been a considerable buyer of Russian timber, fur, skins, cotton and pig iron, to cite but a few items.

The prospect that the Communist leaders held out to Britain was for a fivefold rise in trade between now and 1960. To be sure, this envisages, on behalf of the Soviets, a relaxation of controls on strategic materials, which the Western bloc has agreed, largely at United States insistence, should be denied to the Soviet Union.

Shrewdly, the Soviet has moved to accelerate a process that has as its goal the orientation of Britain toward the Soviet bloc. It would be idle to suppose that, as the pinch of foreign competition grows, there will not be a clamor (from Conservative and Labor circles alike) within Britain for doing business on a big scale with the Soviet group. The so-called strategic controls, agreed on by the Western Alliance, may be expected to prove irksome to an anxious Britain, especially if she is convinced that her allies offer scant trade opportunities and the Russians soft-pedal the bluster that almost gave away the game during their recent visit to Britain.

We recommend to the attention of our readers the analytical discussion of business trends contained in our column "What's Ahead for Business?" This regular feature represents a valuable market analysis of importance to investors as well as to business men. To keep informed of the forces that may shape tomorrow's markets, don't miss it!

CREDIT EXCESSES SHOW UP... The "buy now and pay later" system, which came to full flower in 1955, is having its effect on business this year. The boom it fed bred two schools of thought – one holding that business was borrowing sales from the future and the second contending that

instalment credit was not excessive in the light of full employment and record earnings.

Evidence now coming to hand would appear to support the contention of those who shook their heads at the easy-credit practice. A prime example is provided by the automobile industry, where sales are down sharply from 1955. Another illustration is offered by what retailers call the "big ticket" items. These are the refrigerators, freezers, ironers and cooking ranges, the kind of appliances where instalment-buying is a large factor.

Sales of such items in the early part of this year fell from 6.6% (for ranges) to 44% (for ironers), compared with last year. Moreover, there is growing evidence that collections from charge-account and deferred-payment customers are becoming somewhat more difficult. Customers who are finding it hard to meet obligations already incurred are not prime prospects for new credit purchases.

While there can be no gainsaying the fact that this nation is in the midst of tremendous growth, it also must be apparent that, in substantial measure, the record achievement in 1955 was made possible by consumers going heavily into debt. Credit excesses were bound to show up after a year in which consumers increased their indebtedness by some 20%.

FIGHT TO THE FINISH . . . Scarcely a day goes without word of new casualties in Algeria. This land, which the French regard as part of metropolitan France, has become the site of slaughter of native Arabs and Europeans by rebel elements who, in turn, have suffered heavy casualties at the hands of French troops, whose numbers constantly are being increased.

Unlike nearby Morocco and Tunisia, where the nationalist groups and the French have come to terms, Algeria does not lend itself to a ready solution. Not only does the ruling power deem it part of France, but the rebels, for their part, have set the price of peace as departure of all French troops. There is no middle ground in Algeria, which never was a nation, and there is agitation on both sides not to yield an inch – by Europeans, who fear they will be caught up in an Arab tidal wave, and by the rebels, who are being stirred up by the Pan-Arab movement directed from Egypt.

In the absence of flexibility on both sides, it would appear that months, if not years, of bloody fighting are ahead. If this is to be a fight to the finish, then France can not lose and still remain a world power.

DEFENSE FUNDS AND "BUGS" . . . In a nation where spending is liberal and the tendency is to think in terms of vast numbers, it must come as something of a shock to find that the chief weapon in the airpower race with the Russians has developed important "component failures." General Curtis E. LeMay, who heads up the Strategic Air Command, has revealed that flaws in the Boeing B-52 Stratofortress have cut deliveries of the eight-jet intercontinental bomber. Of 78 planes produced, only 47 have been accepted by the Air Force.

This revelation comes on top of admissions by General LeMay and Charles E. Wilson, Secretary of Defense, that we trail the Soviet in production of this type of aircraft.

While there is no intent here to underestimate the seriousness of the situation in which we find ourselves, it would be unrealistic to expect that in this age of swiftly-developing technology the stress on new and improved weapons and planes will not result in flaws and defects. Since the Kremlin does not bare such secrets, we can't know for sure, but it would occasion little surprise to learn that miscalculations have hampered the Russians, too.

It is of primary importance that we understand the problems faced by agencies of Government and manufacturers, called upon, as they are, to provide the strongest defense possible. In a time of rapid change, it is inevitable that material won't meet performance standards with the high degree that marks old-established products. It will be recalled that Westinghouse Electric Corp. turned out jet engines in 1954 that did not meet Navy standards with the result that contracts were cancelled.

Meanwhile, the program of defense goes forward in this country. The House Appropriations Committee, warning of constantly growing Soviet power in planes and other new weapons, has voted to give the military almost all the funds sought for the coming fiscal year. The committee voted to give the Defense Department $33.6 billion, which would exceed this year's total by $1.7 billion.

There is every reason to be confident that our defenses are being intelligently manned, with the Defense Department adhering to a policy of maintaining a modern air force as a deterrent to aggression rather than seeking to match Russia plane for plane. The rate of obsolescence, extremely high, underscores the need to avoid that trap. There is additional cause for confidence in the presence of such plain-speaking fighting men as General LeMay, whose onerous task it is to defend the United States against nuclear attack. Given the needed weapons (he has stressed the need for more B-52's) and men of the stripe of General LeMay, we shall not want for deterrents to aggression.

FRICTION BETWEEN MEANY AND REUTHER... Politics makes strange bedfellows – and it was inevitable that there should be disagreement in many areas between George Meany, Progressive Conservative, and Radical Walter Reuther. Mr. Reuther who has long fancied himself as a Labor statesman with an eye on the Presidency – just back from a tour of India – has taken exception to Mr. Meany's view of that country's relationship to the Communist bloc.

Mr. Meany has said that Prime Minister Nehru of India is an effectual ally of the Soviets, while Reuther, who worked in Moscow, has shown much sympathy for Nehru. Mr. Meany, of course, is a lifelong foe of communiism who has never hesitated to denounce all totalitarian philosophies.

There may be some doubt about the correct approach to India, but there is no doubt that this is not the last we shall hear about rows between Messrs. Meany and Reuther for these men are ideologically far apart.

As I See It!

By CHARLES BENEDICT

Equip Our Youth For New Age Leadership

Secretary of Defense Wilson's statement that Russia is ahead of us brings into focus the problems that are looming larger and larger every day – that of securing qualified engineers, scientists, physicists, chemists for industry and even medical and managerial brains trained and geared to meet the demands of the new age.

The world is hurtling ahead at great speed, propelled by the urgency with which Russia is striving to modernize her entire country – to move from the horse-and-buggy stage into the atomic age.

To achieve that end she has initiated the practical policy of educating as many of her young men and women as show an inclination toward the sciences. In this way she seeks to develop skilled technicians as well as the managerial brains needed to advance her industrial position with the greatest speed possible.

Operating under State Capitalism, only an edict is necessary for the Russian government to supply free tuition to these talented young people. But under our type of government, it calls for an appropriation and log-rolling if we are to secure the funds necessary to make available free college education to those who have the interest and qualifications.

Just as we make substantial appropriations for defense – for stock-piling of strategic materials – for subsidies to farmers and other segments of our population – and devote huge sums to teaching know-how to foreign countries – our Government at this session of Congress should quickly make the appropriations necessary to supply free the higher professional training necessary to develop the quality and quantity of engineers and scientists that we so desperately need today.

While there are various institutions and even a number of corporations which provide free education in engineering and sciences to exceptional people among their employes – this is only a drop in the bucket.

In fact, there should be a complete revamping of the educational system. It should be upgraded – for the education we give our young people in the average high school is far below the standard in a number of European countries today.

The lag in air power, as exposed by the recent discussions in Washington, shocked the American people so greatly that our smugness regarding our prominence in scientific and industrial achievement has been thoroughly deflated.

As far back as 1951 this publication called attention to the need for speeding up our atomic energy program, because it was clear then that the Russians were rapidly developing this new power for their industries, not only in Europe but in the great expanses of her country, with its vast frozen areas. It was necessary as a practical means for backing up her political bid for world power.

Russia, after sizing up the situation, went quickly to work demolishing and rebuilding from the ground up because her facilities, as a result of the great revolution and the war, were either heavily damaged or obsolete. Our thinking, on the other hand, was affected by the huge sums involved in modern power plants and equipment, many of which had only been developed since 1929. And besides, American observers in the early days of Russian transition to an industrial power did not feel the Russians had the know-how to make rapid progress, and in many cases advised that it would take as much as 25 years before anything approaching adequate industrialization could be achieved.

And even today, while it is true the Soviet Union has made substantial progress, their concentration has been mainly in industrialization for the production of weapons and planes, with civilian production lagging heavily.

Therefore, to hold our lead (as must be clear to every thinking individual) we must take steps NOW to develop a system of subsidized education by which we can develop as many American boys and girls as possibly to carry on the program necessary to enable us to hold our lead – to maintain superiority in the fields in which we have excelled – and to blaze the trail to new scientific attainments which, as we know today, have no frontiers. Moreover, this type of preparedness points the true road to peace.

We therefore suggest to subscribers of this publication that they write the Government urging free technical and scientific education for the vast number of American youth who otherwise will never realize their potentials as the leaders we sorely need today – and to build for tomorrow.

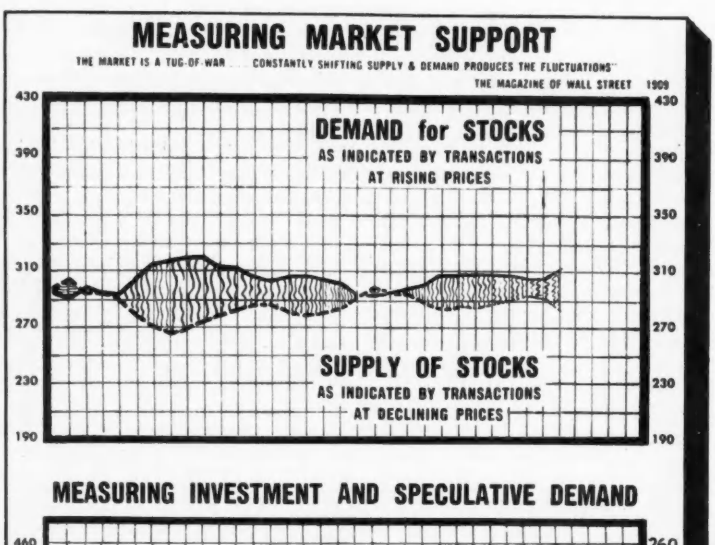
Speculative Influences Dominate Market

Aside from rails, which edged to a new high, recent behavior of the averages remained indecisive in a continuing mixed market. Most good stocks are in a price zone of overvaluation. The risk factor, especially in speculative operations, has been largely increased. You should emphasize realistic appraisal of values in strengthening your portfolio.

By A. T. MILLER

To the extent that it can be appraised on an over-all basis, the stock market remains in high ground, with potentials for profit-making over the rest of this cycle—if it has further to run—probably moderate and limited; and with the risk factor broadly increased. The latter fact is axiomatic following a huge rise, especially in popular industrial equities, for nearly seven years since mid-1949, subject so far to only moderate interim reversals. Relative to past extremes in prices and yields, utilities and rails are less advanced; but the latter would, as usual, be particularly vulnerable, given any material easing in general business activity.

Over the past fortnight the daily industrial average staged a sizeable rally, following about an 18-point April 7-25 dip. It remained slightly under its April 6 all-time high as of the end of last week. Rails edged up to a new bull-market high in a small extension of the upswing begun from the February reaction low. For the first time in some weeks, moderate rallying tendencies in utilities developed in recent days, in response to a rebound in the bond market, which had been under protracted previous pressure.

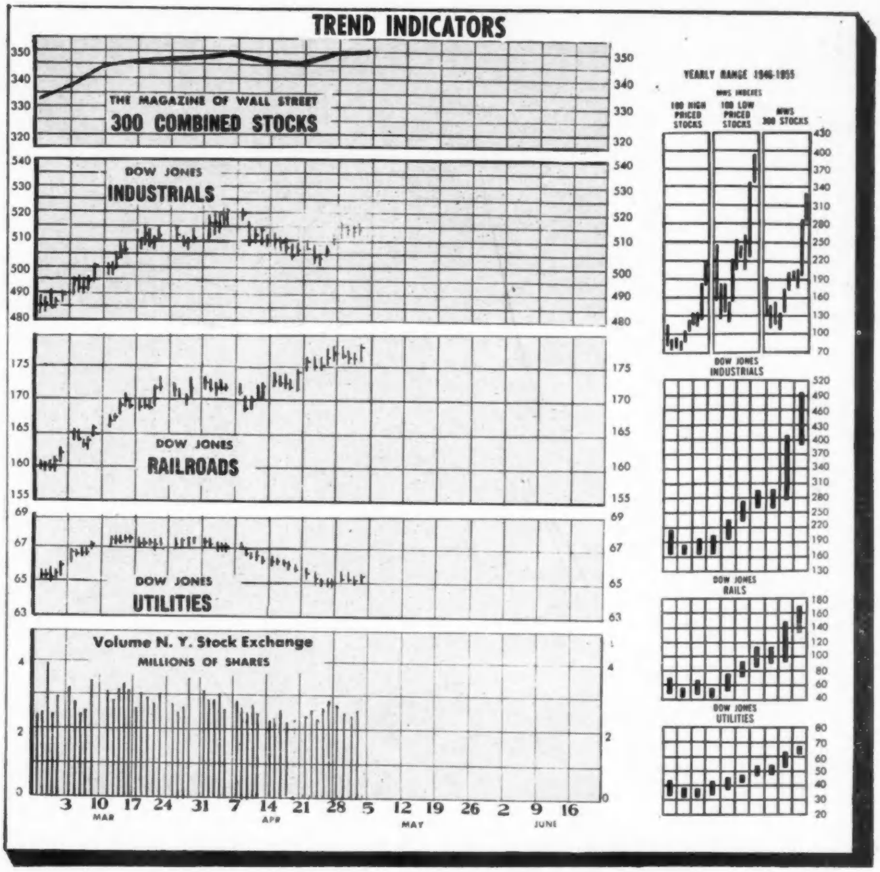


The Bond Market Adjustment

It is conceivable that adjustment of the bond market—and especially of the key Government section—to higher money rates has been completed; and that its movement from the present rally level will be sidewise, or irregularly and slightly upward at least over nearby months. Basis for this change for the better is (1) attainment recently of a generally over-sold position; and (2), which is more important, a consensus that the Federal Reserve will not press credit restriction any further, at least pending clarification of debatable business and inflationary prospects. It is no secret that high administration sources objected to the recent further boost in rediscount rates on the ground that inflationary expansion of mortgage and consumer instalment credit had previously been checked, that industrial production had merely been level for six months and is down slightly since December, that inventory expansion figures to slow markedly in the second half after higher steel prices are effective, and that the further tightening of credit will hamper the financing of plant-equipment expansion.

For the stock market, the implications of a firmer bond market could easily be exaggerated. The fact is that most investors, both individual and institutional, and all traders, buy stocks primarily in hope of capital gain, with income return and its relation to bond yield quite secondary. And the fact is that the market's entire upswing from the February low, amounting so far to about 55 points, or nearly 12%, for the industrial average, occurred in an environment of rising bond yields. A

market which largely ignored a falling bond market—excepting the utility section—would seem to be on tenuous ground in trying to make any "hay" out of a small recovery in bond prices.



Market of Stocks

It has been evident for some time that the market as a whole has not been in a definite trend one way or another. The averages, of course, merely iron out the cross-currents in the list. Of the individual stocks traded last week, 712 moved up. Of that number 212 set new highs but, on the other side, 552 sold off with 139 of this latter number sagging to new lows. This showing was somewhat better than in the previous week, indicating hopefulness on the part of speculators as a result of good first quarter earnings reports by a majority of companies and statements of optimism by corporate managements at recently held annual stockholders' meetings.

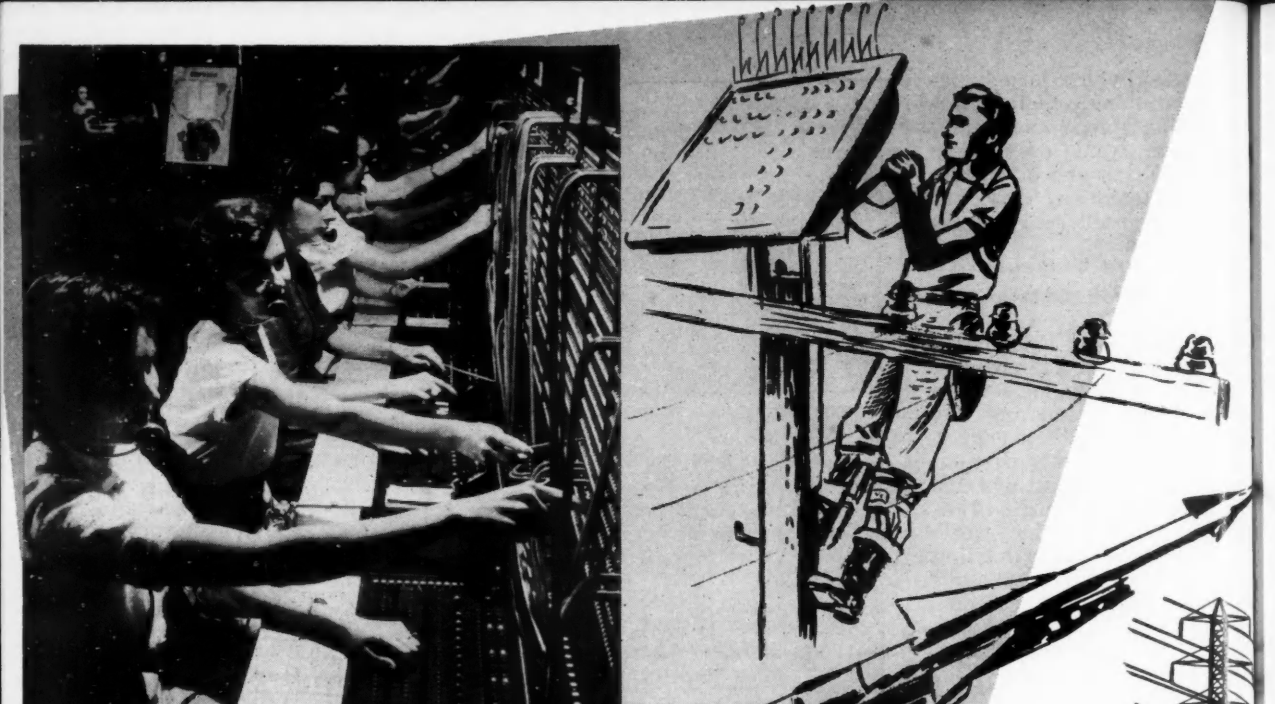
Mixed Patterns Cited

In progress at this writing are upward tendencies in a minority of the stock groups, balanced by pressure on others and absence of significant movement either way by the majority. Currently strong groups include aircraft, drugs, machine tools and industrial machinery, office equipment, natural gas, oil, rails, rail equipment, paper and cigarettes. The principal weak groups are automobiles—excluding General Motors, which is holding well—agricultural machinery and fertilizer, baking, gold mining, food chains and variety chains, and shoes.

Despite booming activity in the steel industry and in the capital-goods field as a whole, over-all production remains on dead center, as heretofore noted. The steel boom is partly supported by abnormal forward buying induced by prospect of the coming sharp price boost and by possibility of a strike. Orders and production are likely to average lower in the second half than in the first. Automobile production will go lower—sharply so in the third quarter—before the final-quarter upswing in new-model output. It remains to be seen whether demand for the new models will come up to the industry's hopes. Housing starts seem to be dragging bottom, but more than small improvement later on is doubtful. Over-all retail trade has merely "held the line" since last September.

New orders booked monthly by manufacturers (seasonally adjusted) have dipped over 7% since December, sales have dipped slightly, while inventories over the same period have risen a further $1.5 billion. Second-quarter industrial output will do well to equal that of the first quarter, it will probably average lower in the third quarter, and basis for more than a mild fourth-quarter betterment is debatable. In any event, the best gain from a year ago was, no doubt, seen in the first quarter.

First-quarter reports indicate a year-to-year gain around 12% in total corporate profits, against over 25% in the 1955 fourth quarter and a peak 33% gain in the 1955 third quarter. This comparison figures to be less favorable in coming quarters, due to slackened sales, higher costs and rising earnings a year ago. If there is any gain in the full-year total, it might be on the order of 3% to 5%, whereas the industrial stock list stands nearly 18% above its advanced 1955 average level, rails 21%. Total dividends this year may be 12%-14% above last year's, due to higher rates adopted in the late 1955 months; but it is questionable whether the year-end dividend level will be more than 5% or so above the present level. From under-valuation in most of the period 1949-1953, the market has moved first to adequate valuation and more recently into the general area of over-valuation. Possibly it will move further out on the limb. In our view, a conservative, highly discriminating investment policy remains the only sensible one. —Monday, May 7.



A T & T Pacing The Nation's Growth

By JOSEPH C. POTTER

The 1,410,000 owners and the public at large may reasonably be expected to ask what American Telephone & Telegraph Co. expects to buy with the whopping $2.1 billion to be spent this year by its Bell System.

Some idea of the magnitude of this expenditure by a single corporation for a given year may be gleaned from the fact that the net income of all of the Class I railroads in this country last year (a good year, too) totaled up to only $917 million. A more revealing parallel is provided by the fact that only two other companies—Standard Oil Co. (New Jersey) and General Motors—have ever earmarked more than a billion for a one-year expansion program.

There is, however, an important difference between the planned expansion of an oil-producing or car-manufacturing company and A. T. & T. Whereas they undertake expansion after contemplating the extent to which markets will burgeon, Telephone moves, for the most part, to meet unfilled demand. Of course, a sharp setback to the overall economy could cause even the plans of Telephone to go awry. Still, that's not the way to calculate. As for Telephone, which is constantly making a mammoth investment in the growth of the nation, it would appear to have the nearest approach to a certainty for the owners of that far-reaching enterprise.

"Grass Roots" Signal

For the "top brass" of Telephone, with headquarters on lower Broadway in New York's financial district, is extremely sensitive to the "grass roots" management that operates with maximum autonomy

in the 6,500 communities served by the Bell System.

This "grass roots" personnel is constantly alert to the telephonic needs of the community. Its findings are funneled up through the district offices to the company (New Jersey Bell or New York Telephone or any other one of the score of companies that make up the Bell System). These estimates, after careful weighing, come up to the A. T. & T. top executives for final evaluation. Incidentally, the company has a 5.5% interest in Bell Telephone Co. of Canada and a half interest in Cuban American Telephone & Telegraph Co., but there are no advances to these companies now outstanding.

Apportioning the Billions

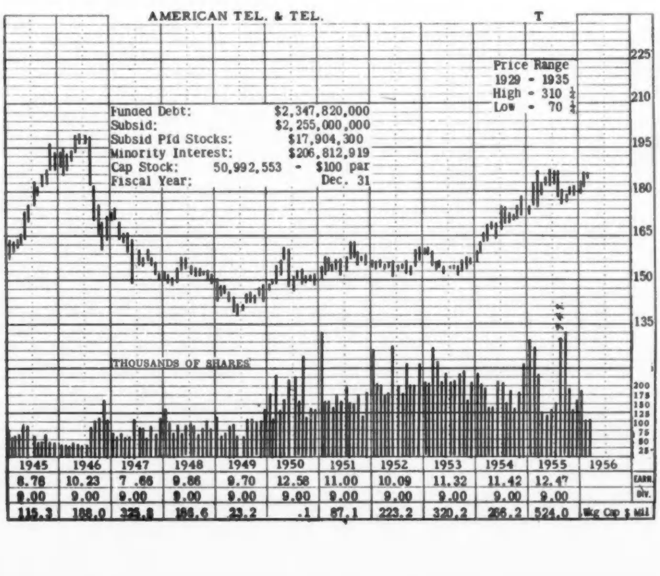
When the parent company's chieftains had finished their figuring for 1956, it was found that the company would have to spend $2.1 billion to improve and expand Bell System service—a daily outlay of roughly $6 million, including Sundays and holidays.

For this staggering sum, it is calculated the company will be enabled to add 1.5 million customers, or 3 million telephones (800,000 telephones were added in first quarter of this year); another million customers will get improved service by conversion of their central office to dial from manual operation; still another million customers will be able to dial long distance.

Telephone, of course, will get more for its money than that. As an example, other millions of customers will be given faster long-distance service because their operators will be enabled to dial their calls. The company, moreover, will be adding extensive communications facilities for the defense of the nation and television networks, whose programming depends on the cross-country coaxial cable laid and owned by A. T. & T.

Part of the spending for the country's defense, about which the company does not like to talk at length, is the "Bypass" project that would keep telephone service going in the event an enemy nation bombed out present installations serving the main metropolitan centers.

This demand for increased telephone service will entail the expenditure of some $225 million for new buildings and additions to old buildings. Equipment in central offices to serve new customers and improve the service for old customers will take another $600 million. Connecting new customers to central offices and providing for increased volume of conversations and other forms of communication will require cable, coaxial cable, microwave radio, carrier amplifiers and like paraphernalia that add up to another $850 million. New telephones, dial switchboards for customers, telephone-answering sets and miscellaneous equipment will set the company back another $425 million.



Dial Anywhere

The Bell System today is 87% dial, with the percentage increasing steadily. A. T. & T. looks far beyond local dialing to a direct long-distance dialing system. This method of enabling a customer to go to his telephone and dial a city on the other side of the continent was inaugurated in 1951 at Englewood, N. J. The first large city to get long-distance dialing was San Diego, where it has been in use since April 15, 1956. Hartford is scheduled to get this service next month.

This does not mean that a man in Englewood or a lady in San Diego can dial every city in the country, but the hookup is quite extensive already. Goal of Telephone is to have direct distance-dialing for most customers over the next 10 years. As hitherto noted, another million customers will have it before the close of 1956.

The Need for Money

Stockholders are properly proud of this multi-billion-dollar expansion program that will entail construction in some 1,700 cities and towns, many of them the outgrowth of the expansion of industry and homes into new areas. However, many are puzzled at the constant need of the company for new capital.

They note that Telephone will be in the market next month for $250 million, to be raised by the sale of non-convertible bonds. This will be a "straight debt" proposition, with no going to the stockholders. More than $1.2 billion in new capital was obtained by the company in 1955, including $637 million of convertible debentures (to which shareholders were given rights to subscribe) and sale of $207 million in bonds by six subsidiaries. At the same time, 5,954,000 shares of stock were issued in conversion of the several debenture issues.

While the Bell System, with assets of $14,479,641,983 as of the close of 1955, outranks any corporate entity extant, it is nevertheless a fact that retained earnings, proportionately, are so small that the company must get construction funds, for the most part, from new securities.

Retained Earnings Small

It also explains why A. T. & T. has not raised its $9 annual dividend since 1922. Cleo F. Craig, president, has noted that retained earnings total $19.99 per share, which is only

enough to protect dividends for little more than two years. He has compared this with retained earnings for electric utilities, put at three and a half years, and manufacturing corporations such as GM and General Electric Co., whose retained earnings are sufficient to cover their dividends for seven and a half years.

Mr. Craig told the annual meeting of stockholders last month:

"Our retained earnings must be built up. You must have enough eggs left over in your basket so you will hatch chickens who will lay more eggs. You'll never better your position if you take the eggs out and eat them."

Retained earnings per share hit a high of more than $40 in 1929 and began, from there, a descent that carried the figure down to around $15 in 1949. The current level of around $20 is the best attained in more than a decade.

Comparative Balance Sheet Items

ASSETS	December 31 1945	1955 (000 omitted)	Change
Cash & Marketable Securities	$ 460.549	$ 1.386.166	+$ 925.617
Receivables, Net	217.911	594.996	+ 377.085
Materials & Supplies	50.716	176.465	+ 125.749
TOTAL CURRENT ASSETS	729.176	2.157.627	+ 1.428.451
Net Plant & Euipment	3.658.267	11.444.760	+ 7.786.493
Investments & Funds	287.129	732.698	+ 445.569
Deferred Charges	39.222	144.556	+ 105.334
TOTAL ASSETS	$4.713.794	$14.479.641	+$9.765.847
LIABILITIES			
Notes Payable	$	$ 152.000	+$ 152.000
Accounts Payable	154.440	464.854	+ 310.414
Taxes Accrued	318.027	706.968	+ 388.941
Other Accruals & Liab.	141.372	309.772	+ 168.400
TOTAL CURRENT & ACCR. LIABILITIES	613.839	1.633.594	+ 1.019.756
Deferred Credits	14.370	22.053	+ 7.683
Long Term Debt	1.268.725	4.375.645	+ 4.106.920
Applicable to Subs. Stocks	111.654	248.300	+ 136.646
Common Stocks	2.345.895	7.118.407	+ 4.772.512
Surplus	359.311	1.081.642	+ 722.331
TOTAL LIABILITIES	$4.713.794	$14.479.641	+$9.765.847
WORKING CAPITAL	$ 115.337	$ 524.033	+$ 408.696
CURRENT RATIO	1.2	1.3	+ .1

The Low Earnings Level

Bell System earnings in the postwar period, a decade of booming business activity for the overall economy, have been too low to permit the company to accumulate greater reserves. Return on capital in the postwar period has averaged out to 5.7%, compared with 12.4% for the 50 largest manufacturing corporations in the country.

Bell System earnings on capital have begun to show some slight improvement. Earnings were at the rate of 6.1% in 1953, 6.2% in 1954 and 6.8% in 1955.

A. T. & T. investors, of course, have provided the main source of capital needed by the Bell System to take up the slack caused by the lack of more substantial retained earnings. Most of the ownership capital raised in the postwar decade has been from conversions of debentures and about 89% of the convertible debt added by the company since the war has been converted to ownership capital, reflecting investor confidence in the $9 dividend paid in each year.

Bell System capital now is more than three times what it was at the end of the war—nearly $9 billion having been added since 1945.

Hamstrung by Rate-Makers

Unlike manufacturing corporations, which often improve earnings through plant and office efficiencies, Telephone (one of the best-managed companies in the country) is hamstrung, in many instances, by public commissions which fix rates. It is not easy to stir sympathy for the greatest corporation in the world and not a few commissions feel there is political advantage in keeping telephone earnings at low levels. Where earnings are inadequate, the company can only continue to plead for rate rises. Indeed, applications now are pending in many states and other applications are in the works.

More Than a Utility

The company, to be sure, is more than a utility. Its manufacturing subsidiary, Western Electric Co., not only manufactures but installs for service and its Bell Laboratories (*Please turn to page* 254)

Long Term Operating and Earnings Record (Bell System)

	Number of Telephones (Millions)	Total Operating Revenues	Net Operating Revenues	Total Operating Taxes	Interest	Net Income	Net Profit Margin	Net Per Share	Div. Per Share	Price Range High Low
		Millions								
1955	46.2	$5.297.0	$1.762.4	$1.041.4	$131.2	$664.2	12.5%	$13.10	$9.00	187¾-172¾[1]
1954	43.3	4.784.5	1.497.2	885.3	130.3	549.9	11.4	11.92	9.00	178¼-156
1953	41.3	4.416.7	1.331.9	798.6	115.8	478.5	10.8	11.32	9.00	161½-152⅛
1952	39.4	4.039.6	1.182.0	705.6	117.3	406.6	10.0	11.45	9.00	161⅜-150⅞
1951	37.4	3.639.4	1.065.1	629.8	117.8	364.8	10.0	11.76	9.00	163⅛-150
1950	38.2	3.261.5	927.1	499.4	113.5	346.9	10.6	12.58	9.00	161¾-146¼
1949	33.3	2.893.2	644.4	346.1	112.2	232.8	8.0	9.70	9.00	150⅜-138
1948	31.3	2.624.8	546.1	292.4	90.4	224.4	8.4	9.86	9.00	158⅝-147⅞
1947	28.5	2.224.5	431.1	245.6	62.5	161.1	7.2	7.66	9.00	174¾-149¾
1946	25.7	2.093.6	502.9	257.4	41.9	208.5	9.9	10.23	9.00	200¼-159¼
10 Year Average 1946-1955	......	$3.527.4	$ 989.0	$ 570.1	$103.2	$363.5	9.8%	$10.95	$9.00	200¼-138

[1]—To April 26, 1956.

ANALYZING FIRST QUARTER EARNING REPORTS

For Fresh Clues to 1956 Prospects

By WARD GATES

First quarter earnings reports have been issued in volume in the last two weeks and represent companies in practically every industry. Unlike a year ago when 1955 first quarter sales and earnings made strikingly favorable comparisons with the relatively poor first quarter of 1954, the showings for the first three months of 1956, as compared with those for the corresponding months of 1955, for the most part, were uniformly on the upside. The outstanding exception was the sales and earnings figures of the "big three" of the automobile makers which for the 1956 quarter were down by varying amounts for each company from the like period of last year. On the other side of the ledger industries that showed considerable improvement in sales and earnings included steel, chemical, cement, paper and metals, while other companies in other industries also made outstanding showings in comparison with last year's first quarter.

New Peak in GNP in First Quarter

Except for the automobile manufacturers, sales for the majority of companies that have released first quarter reports for the current year, show a uniform trend upward with a number showing record first quarter highs. Net earnings, however, measured as a percentage of sales were in some instances, down slightly from last year's first quarter while gains for others were substantial, again indicating a variation in profits from industry to industry and from company to company. In specific cases, this variation reflected lower profit margins as costs rose and competition became intensified or, on the other hand, where some companies were able to improve their cost controls which were reflected in increased earnings.

The 1956 first quarter established a new peak in gross national product, reaching a $399 billion annual rate, according to a preliminary estimate by the Council of Economic Advisers. This is $1.7 billion higher than the last quarter of 1955 and $23.7 billion ahead of the first quarter of that year. It is evident from the figures released by the Council for the first quarter personal income was up by a substantial amount. Although only the first two months personal income rate figures were officially available—the January figure being put at $312.7 billion and February at $313.1 billion, it is calculated that the March rate moved up to about $315 billion annual rate. If the latter is anywhere near accurate it would indicate the rate is considerably above the $312.5 billion Treasury Department estimate in connection with anticipated tax revenue for the next fiscal year.

In the first quarter, according to Federal Reserve Board reports, industrial production dipped slightly in March, its preliminary seasonally adjusted production index declining one point in that month to 142 per cent of the 1947-49 average. The March number, therefore, was two points below the closing month of 1955, the drop reflecting the output of consumer durables which failed to show the usual seasonal increase. But at that, the March, 1956, adjusted production index was still 7 points above March of last year notwithstanding cutbacks in passenger car production. March of this year showed

maintained construction activity with contract awards being in exceptionally good volume. Despite talk of an expected drop in homebuilding, private housing contracts in this year's first quarter totaled more than $1.6 billion which, added to the quarter's $103.1 million in public housing contracts, would bring the period's mass housing awards to within about 2.6% of the 1955 first quarter volume, making the three months ended March 31, 1956, the second best first quarter on record. The outlook for the second quarter is for further gains in building awards auguring another good three months for the building supply companies, including manufacturers of gypsum products, cement, paint, aluminum, copper and copper-base alloys, and steel.

As we enter the second month of the second quarter of the year, there appears to be no abatement in steel demand which is forcing the steelmakers to maintain production of ingots and steel castings at or close to the limit of theoretical capacity currently put at 128,363,000 tons, increased from rated annual capacity a year ago of 125,828,310 tons. The industry which established record high production and also compiled record earnings in the first quarter entered April with substantial backlog, augmented by a heavy flow of new business. In some informed quarters this heavy volume is interpreted to indicate users' concern over steel supplies in the event of a break-down of negotiations between the USW and the industry and a strike beginning July 1. However, it cannot be said this interpretation is accurate. If a work stoppage should ensue, the lull in production, provided it is not extended over a protracted period of time, might be welcome by the producers as an opportunity to repair equipment worked to the limit for more than a year. Third quarter results, provided there is no strike are now being anticipated at a better rate than had been expected earlier in the year. This is based on the motor industry replenishing stocks of flat rolled steel for 1957 models, and demand being maintained for structural, heavy plate and other steels to meet the requirements of the construction, machinery and machine tool makers, the oil and gas industry, the rail equipment builders, and other steel users.

Outlook for the Steels

Barring unforeseen adverse developments, including prolonged work stoppages the steel industry appears to be in line to establish peak sales and earnings for 1956. Also allowing for variations in other industries, companies that should show good second quarter results include paper manufacturers; chemical producers, tire and rubber manufacturers, electrical equipment makers, machine tool builders, the heavy equipment manufacturers, and the railroads. The utilities should continue their moderate uptrend while bituminous coal producers are expected to maintain their rate of improvement that set in last year. Further gains should be shown by the petroleum industry and the food processors, as well as by the leaders in the soft drink field. Brighter prospects appear to be looming for the textile industry, and some improvement is anticipated for home furnishing and carpet makers, two industries that have been recently in a depressed state.

Following are some comments on first quarter earnings of several of the more outstanding companies in various industries:

AMERICAN CYANAMID CO.—Net sales of the company and its wholly-owned subsidiaries were the highest for any quarter in Cyanamid's history, reaching approximately $118.2 million, surpassing 1955 first quarter volume by more than $6.4 million and exceeding that year's final quarter by about $3.4 million. For the 1956 first three months, consolidated net earnings were $11.2 million, equal to $1.17 a share for the common stock that had been increased to 9,290,696 outstanding shares as the result of conversions of preferred stock during last year, compared with 1955 first quarter net earnings equivalent to $9,454,000 or 99 cents a share on 8,994,130 shares then outstanding. Cyanamid's first quarter record-breaking consolidated sales and increased earnings reflect new product developments and expansion through new plant facilities with the more important contributions to the increase in over-all sales volume being made by such divisions as Lederle Laboratories, Organic Chemicals, Industrial Chemicals, Agricultural Chemicals and Plastics and Resins. The company's new Savannah, Ga., plant for the production of white pigment, titanium dioxide, which was placed in initial operation in the latter half of 1955, achieved full operation early in 1956 at a rated capacty somewhat higher than that of the Gloucester City plant, sale of which to The New Jersey Zinc Co., was carried out on May 1, of this year. Bringing Cyanamid into the field of thermoplastics are new facilities now under construction at the Fortier, La., plant, to produce methylstyrene, and facilities at Wallingford, Conn., to produce, from this and other intermediates, thermoplastic compounds for the plastics molding industry. Other projects, begun or completed in 1955, which are expected to contribute to this year's sales volume, include increased capacity for producing nitrogen fertilizer solutions, sulphuric acid, melamine, and melamine resins, rubber chemicals and intermediates. At Brewster, Fla., the company plans to construct a triple superphosphate plant, expected to be in operation by late 1957, which will strengthen Cyanamid's long established basic position in phosphate rock mined at that location. Another important development, completed only last month, was Cyanamid's acquisition, through an exchange of stock, of Formica Co., producers of plastic laminates as counter-tops, for furniture, cabinets, tables, wall surfaces as well as for the aircraft, automobile, refrigeration equipment and electrical equipment industries. This latest acquisition which has total sales last year of $36.4 million and showed net earnngs of more than $3.1 million will be operated as the Formica Corp., a Cyanamid subsidiary under the present formica management.

CATERPILLAR TRACTOR CO.—Sales of $158.6 million in the 1956 first quarter were the highest for any three month period in the history of the company. This volume was $39.8 million, or 33.5 per cent greater than 1955 first quarter sales of $118.8 million, the gain being attributable to the high level of world-wide business activity and to availability of greater manufacturing capacity at the company's new Decatur, Ill., plant to which Caterpillar started to move some of its production last year and which is expected to be in full production by mid-1956. While 1956 first quarter sales in comparison with those in the corresponding months of last year were up 33.5 per cent, net profits for the first quarter of the current year increased 57 per cent over a year

Quarterly Comparison of Sales and Earnings

	1956		1955							
	1st Quarter		4th Quarter		3rd Quarter		2nd Quarter		1st Quarter	
	Net Sales (Millions)	Net Per Share	Net Sales (Millions)	Net Per Share*	Net Sales (Millions)	Net Per Share	Net Sales (Millions)	Net Per Share	Net Sales (Millions)	Net Per Share
Allied Chemical & Dye	$ 166.0	$ 1.32	$ 153.1	$ 1.19	$ 157.2	$ 1.41	$ 168.7	$ 1.63	$ 149.4	$ 1.22
Allis-Chalmers Mfg.	140.5	1.41	138.5	1.62	129.5	1.31	140.6	1.65	126.3	1.47
Aluminum Co. of Amer.	219.3	1.16	213.3	1.53	220.0	.94	213.9	.90	197.7	1.02
American Can	155.2	.46	166.6	.58	240.2	1.27	171.1	.78	136.7	.42
American Cyanamid	118.2	1.17	114.8	1.18	110.9	.92	113.7	.97	111.6	1.02
Armstrong Cork	61.5	.72	62.7	.63	64.0	.81	63.7	.73	58.8	.64
Caterpillar Tractor	158.6	1.29	144.7	1.20	127.8	1.05	132.4	.98	118.8	.82
Cities Service	267.0	1.80	256.8	1.60	212.7	.91	204.2	.95	249.4	1.42
Continental Can	155.7	.63	155.8	.53	204.3	1.32	171.5	.95	134.4	.42
Continental Oil	144.6	1.41	139.2	1.22	135.2	1.26	125.7	1.03	129.9	1.25
Corn Products	73.1	.47	99.9	1.04	68.8	.46	67.9	.39	71.4	.40
Dixie Cup	11.8	.92	9.2	.49	14.9	1.62	14.5	1.49	10.4	.79
Du Pont	460.0	2.03	499.2	3.02	483.9	2.26	479.2	1.98	473.0	2.00
General Electric	946.4	.63	849.4	.68	722.0	.45	758.0	.59	831.0	.61
General Motors	3,065.0	1.01	2,899.5	.98	3,031.1	.90	3,411.9	1.26	3,100.7	1.14
General Portland Cement	10.1	1.12	10.6	1.10	9.8	1.00	9.9	1.05	8.5	.79
Gillette Co.	48.7	.89	43.6	.87	48.9	.73	44.3	.78	40.1	.74
Goodrich (B. F.)	180.2	1.14	193.1	1.60	189.5	1.14	193.7	1.41	178.6	1.12
Hercules Powder	57.3	.55	64.4	.57	54.2	.60	59.4	.61	53.1	.51
Johns-Manville	64.6	.64	76.8	1.09	76.1	1.12	75.4	1.02	56.2	.43
Jones & Laughlin	195.2	2.09	182.5	2.33	182.3	1.90	179.3	2.01	151.9	1.59
Lehigh Portland Cement	11.9	.81	18.3	.85	20.7	.89	20.3	.84	12.0	.74
Merck & Co.	43.6	.49	40.1	.29	40.7	.46	38.3	.30	38.8	.35
Minneapolis Honeywell Reg.	58.1	.69	72.2	1.20	57.3	.66	58.0	.55	56.8	.59
Monarch Machine Tool	4.2	.53	3.7	.41	2.9	.35	.4	d .93	2.7	.25
National Gypsum	39.5	1.34	37.9	.97	38.5	1.32	38.1	1.26	33.5	1.24
National Lead	143.3	1.16	143.7	1.16	133.2	.89	137.3	1.14	119.4	.84
National Supply	69.8	2.47	72.1	2.75	66.2	1.90	62.7	1.45	58.7	1.41
Parke, Davis & Co.	32.0	.86	32.9	.98	30.4	.64	30.9	.73	28.8	.58
Penn Dixie Cement	6.8	.35	11.0	.54	13.6	.94	12.9	.87	5.6	2.9
Pfizer (Chas.)	43.0	.88	43.9	.73	40.4	.63	38.2	.83	41.1	.75
Phillips Petroleum	258.8	1.65	250.3	1.75	230.3	1.32	217.7	1.35	212.2	1.50
Pittsburgh Consol. Coal	50.3	.51	50.4	.96	41.2	.43	39.7	.38	37.1	.37
Rayonier Inc.	35.6	.70	36.9	.70	35.3	.76	36.2	.77	34.0	.65
Reynolds Metals	105.5	1.12	101.0	.83	99.8	.96	96.7	.91	87.2	.71
Scott Paper	66.8	.72	61.6	.67	59.1	.60	62.3	.68	63.4	.70
Thompson Products	68.8	.75	71.8	.83	69.6	.78	73.8	1.22	72.9	1.20
Union Carbide & Carbon	309.9	1.24	330.0	1.33	302.8	1.30	291.2	1.22	263.0	.98
U. S. Rubber	230.0	1.42	236.8	.86	231.2	.37	232.0	1.46	225.4	1.63
U. S. Steel	1,100.5	1.83	1,075.7	1.80	1,035.8	1.56	1,094.8	1.85	873.3	1.25

*—Calculated on basis of full year report.
d—Deficit.

ago, reaching a little more than $11 million as compared with slightly in excess of $7 million for the three months to March 31, 1955. For the latter period the profit was 5.94 per cent of sales, or 82 cents a share as compared with 1956 first quarter profit equal to 6.98 per cent of sales, or $1.29 a share for the common stock. Per share earnings for both quarters under comparison are computed on shares outstanding at the end of respective periods after adjustment for the April, 1955, 2-for-1 stock split. Since April of this year, the outstanding common stock has been increased by the sale of an additional 500,000 shares the proceeds of which will be used in part to repay short-term bank borrowings and to pay the $17,056,000 balance of 10-year 2% debentures that came due May 1, this year. The balance of funds derived from the sales will be placed in the company's treasury. In analyzing 1956 first quarter sales and earnings, weight must be given to the 12-day strike in January at the Joliet plant, a factor that contributed to holding profit for the month to 5.86 per cent of sales, or 31 cents a common share. In contrast, March, 1956 sales of $58 million, about $12.5 million greater than in January and 42 per cent higher than in March, 1955, produced profit for the month that was 7.6 per cent of sales and 52 cents per share of common stock profit for the month was $4.4 million, $1.7 million more than was shown for January, 1956. Continuance of this improvement is anticipated in the second quarter with the outlook being further improved by the fact that this year there will be no heavy expenses such as were incurred in 1955 in introducing an unusually large number of new and improved models nor a repetition of the substantial expenses incurred in transferring certain operations from the Peoria to the new Decatur plant. Except for negotiations covering workers at the Milwaukee, York, Pa., and San Leandro, Calif., plants this summer, the company has labor agreements *(Please turn to page 248)*

Demands of Labor Lords Threaten Our Economy

By STANLEY DEVLIN

In a period of adjustment for a number of pivotal industries and small companies operating in nearly every field of endeavor, beset by price squeezes growing largely out of rising wage costs, the chieftains of the newly-unified labor movement are readying demands for sizable wage and welfare increases.

Attention, for the moment, is focused on the talks slated for this summer between the C. I. O. Steelworkers and the steel industry, but dozens of other groups have made or will make demands for wage and fringe benefits, including aircraft workers, electrical employes, machinists, communications, shipbuilding, boilermakers, aluminum, rubber and packinghouse workers.

The 1956 round of wage-and-benefit parleys will mark the first time that negotiations will proceed against a background of labor unity growing out of the merger last year of the American Federation of Labor and the Congress of Industrial Organizations. Negotiations with labor unions, since the birth of the C. I. O. and industrial unionism a score of years ago, has resulted in an unending spiral (aside from the "freeze" imposed during wartime and national emergencies) of wage rises, often accompanied by welfare benefits. While corporations have sought to offset these increments through price hikes, this was not always possible, with the result

that many companies sustained a profits squeeze and even found themselves writing red ink.

Companies Fighting Back

Despite the "big muscle" of unified labor, representing 15 million workers, there are growing signs that industry will fight strenuously against uneconomic proposals, although such struggles be costly. The temper of industry was highlighted in recent months in the field of electrical products and appliances. Westinghouse Electric Corp. went through a bitter five-month strike to preserve control over its production costs and to obtain a long-term contract that would permit the company to improve its competitive position. Maytag Co., maker of home-laundry products and refrigerators, also stood up to the unionists who demanded, among other things, a guaranteed annual wage. Maytag plants were struck for two months, but the company won its point.

Labor Takes Strong Line

These protracted strikes are indicative, too, of the tough line taken by the unions. Employes of Republic Aviation Corp. downed tools for more than 10 weeks to enforce demands for a 16.5 cents hourly wage-and-benefit package. And just ahead are the most pivotal of all labor talks—steel.

In 1955, the United States Steel Corp. settled with the union for a 15-cent hourly wage rise. Negotiations, under the old contract terms, were limited to the subject of wages. This year, signs point to a more costly settlement. For one thing, Dave McDonald, leader of the 1,194,000 steelworkers has talked about getting a guaranteed annual wage and a better pension setup, in addition to demanding pay increases.

The wage spiral, which has come to include welfare and fringe benefits in the postwar decade, has followed a steadily rising pattern for the past 20 years in the basic steel industry, a bellwether for the broad economy. Back in 1936, when the C. I. O. was launching the task of organizing steelworkers, a common laborer in the steel mills received 52.5 cents hourly. By 1937, it was up to 62.5 cents and by 1941, it had reached 72.5 cents. The war years slowed the hikes (it slowed the price spiral, too), but by 1947 the scale had reached $1 and was at $1.13 later that year. In the years between 1947 and 1955, the level rose more than 50% to reach $1.74½. It is a reasonable assumption that before this year is out the cost of common labor will approach $2 hourly—a rise of nearly fourfold in the 20 years of C. I. O. leadership.

Union Members and Monthly Dues

	Members	Monthly Dues
Plumbers	240,000	$4.03
Auto Workers	1,239,000	1.90
Clothing Workers	385,000	2.32
Communication Workers	300,000	3.07
Electricians	630,000	3.82
Ladies Garment	440,000	1.44
Hod Carriers	433,000	1.12
Machinists	864,000	2.62
Steelworkers	1,194,000	2.00
Teamsters	1,231,000	3.26

Initiation fees vary widely from a low of $1.50 to $312. While under the Taft-Hartley Act, unions report on incomes to the Department of Labor the figures are not made public.

Annual Insurance Premiums Paid

Totals of insurance funds for various welfare benefits are not public but premiums paid give an indication of volume. On policies involving $100,000 or more covering workers, annual premiums in 1952 were:

Auto Workers	$ 5,998,000
Carpenters	2,421,000
Hod Carriers	2,804,000
Bartenders, hotel employes	6,675,000
Teamsters	24,275,000
Plumbers	3,967,000
Clothing Workers	9,452,000
Steelworkers	6,544,000
Meat-cutters	3,047,000

Over the same span, of course, most of these gains have been washed out by price rises growing out of these pay hikes. Thus, a Plymouth coupe that sold 20 years ago for $700 now commands something like $2,000. The tax burden has grown too due, in no small measure, to the increased costs of governmental operations stemming from these wage increases. Everything that public agencies buy, from battleships to bricks, has soared.

In between, of course, there is a large segment of the population, for which there has been no succor. People living on annuities, pensions and/or dividends have felt the squeeze of rising costs. Anyone who bought a 20-year endowment policy in 1936 is not getting back this year the kind of dollar that was paid in over the past two decades.

Ability to Pay Ignored

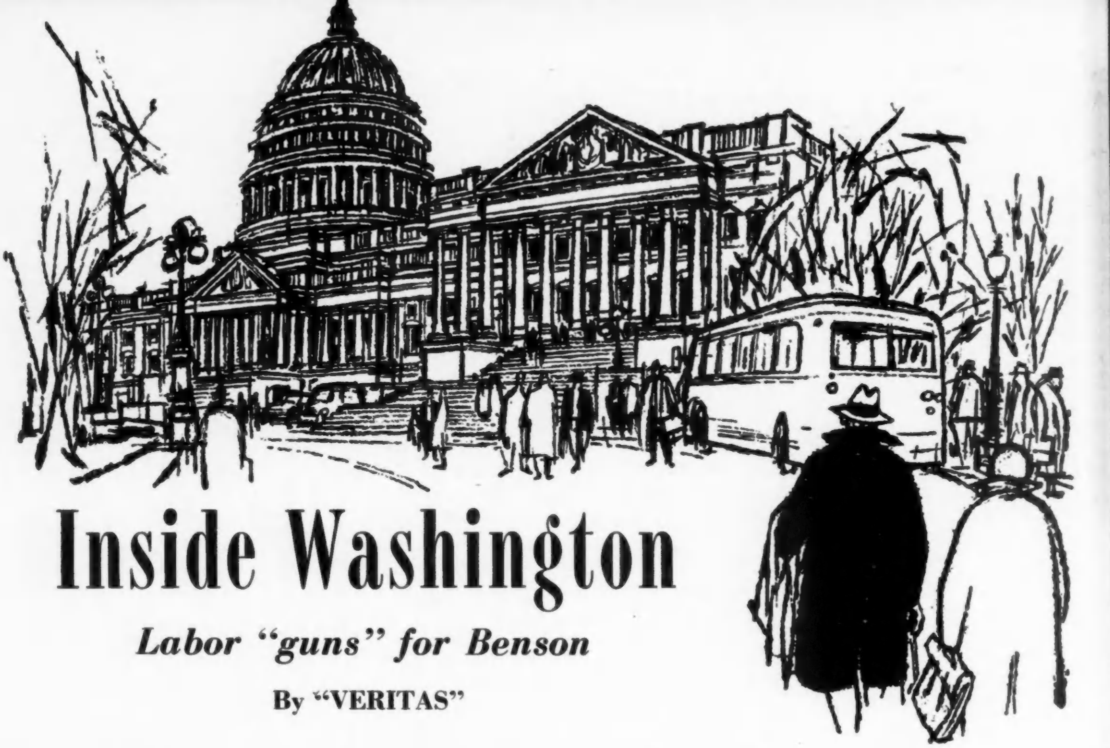
There have been heavy casualties in the business field, too. For one of the unmitigated evils of the kind of bargaining that goes forward in such key industries as steel and automotive is that it completely disregards the ability of smaller entities in the field to meet the exorbitant demands of labor bigwigs. Thus, Walter Reuther, president of the C.I.O. Auto Workers, has gotten such companies as Ford, General Motors and Chrysler to agree to the principle of company-financed jobless pay. But applied, as it was, to a company such as American Motors, which is the outgrowth of the stumbling Hudson and Nash-Kelvinator entities, it represented a nudge in the direction of insolvency.

McDonald of the Steelworkers has pushed the principle, with pluses, into the can companies and now is gunning for steel. This all adds up to the prospect of a whopping increase in steel prices, probably closer to $10 a ton than the $7.35 rise of 1955. It could even be the largest increase since before World War II, topping the $9 per ton increase made in 1948.

This continuing trend must, inevitably, make prices of such items as appliances, automobiles, building materials and farm equipment, to cite but a few finished products, prohibitive in price. It also poses a threat to our ability to compete in foreign markets, to say nothing of the growing ability of foreign producers to undersell us in our own market.

The Union Income Account

Unions are emboldened to carry on protracted strikes against companies and whole industries, stoppages that often snarl other large segments of the over-all economy, (*Please turn to page* 260)



Inside Washington

Labor "guns" for Benson

By "VERITAS"

ORGANIZED LABOR is gunning for Agriculture Secretary Benson. He is accused of trying to divide farmers and urbanites by representing that the plight of the former group is caused by selfishness of the latter. AFL-CIO President George Meany is readying a petition for Congressional investigation of price, profit, wage-rate and labor-costs relationships covering the things the farmer buys and his products when passed through a middleman and sold at retail. The farm problem, says Labor, is the direct result of agricultural price decline—a 15% cut since Benson became Secretary of Agriculture, unions point out.

WASHINGTON SEES:

Caution is the watchword as Washington appraises the result of the visit by Moscow's Rover Boys to London. There appears to be the basis for optimism in some respects, and for putting the whole thing down as classic Red propaganda, in other particulars.

Khrushchev and Bulganin may have mistaken normal British reserve for coldness, especially in their meetings with the Laborites, who are not exactly the type of political breed the party name might have connoted to the Kremlin.

Russia appears to have used its most enticing invitation to Britain: Foreign trade involving £1 billion in the next five years. In some Washington quarters the idea seems realistic for the reason that free trade is becoming a fact with all but a few strategic items excluded and there is question whether Russia has difficulty getting those things elsewhere. If she is, the whole thing is ineffective.

The Communists talked of arms reduction but this time they included nuclear weapons. Unless the State Department and the Pentagon are indulging scare-talk at home, the Reds may have motivation other than fear. It's conceded they have made great progress, possibly as much as United States.

WHITE HOUSE conference at which Treasury Secretary Humphrey lectured GOP Congressional leaders on the facts of Federal finance is believed to have ended chance of anything more than token tax cuts this year. There will be some selective tunings out by Administrative action or otherwise, but the lawmakers were told not to take seriously "paper surpluses" which have been filling headlines. Even if the rumored \$2 billion excess were magically to appear and it were to be applied in payment on the national debt (which, of course, it will not), it would take 100 years at that rate to relegate the red ink pen by paying off the debt.

HIGHWAY-USER lobbies worked so feverishly for enactment of the \$51.5 billion national highway bill that they almost brought about its defeat. They were operating at cross-purposes. Congress had accepted the fact that a program as outlined in the President's special message was needed. The holdup was on financing methods. The truck lobby wanted a bill but said its patrons already are overtaxed for construction purposes and accused passenger cars of taking a free ride. American Automobile Association threw its not inconsiderable lobby into the fray. Congressmen were on the spot: they like (or fear) both lobbies.

LOCALITIES in which large tax-exempt Federal facilities have taken root are making another pitch for relief from Congress. The growing erosion of the tax bases of local governments by Federal acquisitions is working a hardship on citizens who find new burdens constantly shifted to their local tax bills. This, plus Washington-imposed income and excise levies threatens municipal existence. Payments in lieu of taxes on the real estate are suggested. The idea has been before many other Congresses. But claim is made it's more needed now than before.

As We Go To Press

Except for the missing invective the situation in Washington today is strongly reminiscent of the days when Harry Truman was engaging Congress in a no-holds-barred contest. President Eisenhower has just completed his sharpest round with Capitol Hill and there's evidence that more is to come. It has been building for months. It came to a head with the gas-law veto but it earned billing as a main bout when the farm measure was rejected. Both vetoes carried body blows of criticism: The first complained of veniality, the second of political bungling. For the farmers, Congress had drafted a "bad" bill. That's little short of the "bad" Congress which Truman rode to victory.

It appears that everybody is happy over the farm-bill veto, except possibly the farmer himself. He's only confused. Democrats profess to find the action as a palliative to the intra-party pain arising from North-South cleavage. It isn't suggested that the Southerners will close ranks and forget the state's rights and segregation issues, but it is reasoned that the veto gives that part of the country something else to think about. Anything that distracts the mind from the racial issue is regarded a blessing, around headquarters of the Democratic National Committee.

Democratic strategy now is to send the first team of campaigners into the Southland to loose barrages of fact and figure emphasizing local interests. The high farm supports for which Southern Congressmen fought to the bitter end would have given the cotton farmers $230 million that they don't stand to get now that the measure has been vetoed to death. Peanut growers stood to gain about $12 million. The rice-growing industry was to benefit also. The script calls for casting Ike, not Benson or the Nine Old Men, as the real enemy of Southern economy. It may be significant that Senator Lyndon Johnson of Texas was picked to make television reply to Ike's veto speech. Although he is Majority Leader, Johnson has not stomached all of his party's concept.

Appraisals of the effect of the farm-bill veto usually weigh its impact on the midwest. This overlooks the fact that the South is predominantly agricultural. And from a political standpoint, it fails to take into consideration that the South was leaning toward the Republicans under the urge of Eisenhower popularity, plus Democratic party split. If the damage is offset, Ike will have turned the trick personally. His TV address was a convincing document. Democrats don't discount the President's effectiveness when he goes direct to the public with the language and conviction of the non-professional politician. They aren't forgetting that he defeated their income-tax reduction with a single broadcast in March 1954.

When the history of this Administration is written, Ike's vetoes will make interesting research for students of political science. The gas-bill rejection put the preference for clean government above political advantage. The professionals in the ranks sneered at the suggestion that a "gift" offer to a single Senator whose position on the bill already was known, could support a Presidential request to sustain a veto. But it happened. With the veto went loss of heavy campaign contributions and possibly the electoral votes of a few states. The farm-bill veto was in the same mold: It was a "bad" bill, the President said, and he rested his case on that.

There is likelihood that a third veto may be in the making. It depends on what Congress does about pending social security amendments. The House has passed a bill cutting the age at which women are eligible for benefits from 65 to 62, and creating total death benefits at the age of 50. The White House is opposed to both propositions. The bill will come out of Senate committee soon. It may be less liberal. No matter what happens in the Upper House there is certain to be a conference committee whose members will have a weather eye on election day. So the bill is virtually certain to go to Ike in a form he has said is not acceptable. Whether Mr. Eisenhower will stand up against the argument that a veto will alienate the women's vote will make another interesting chapter.

State Department hopes the Alabama and South Carolina statutes on labeling imports won't go to court test, but that result seems unavoidable. Importation of Japanese textiles produced on low-wage manufacture has alarmed United States competition, centered mostly in those two states. The textile trades have been tobogganning for years and can't meet the low-price import in the marts of trade. Under the state laws, stores selling Japanese goods must post signs of designated size and text. The desire and effect is boycott.

The implications are important. Japan must have an export market if its industry is to exist and if its textile sales beyond its borders are seriously curtailed it has lost that market for all practical purposes. The United States has fashioned a trade treaty with Japan as a means of holding an important strategically-located ally. The pact insures the Japs against discrimination and boycott. If that warranty fails, the Japanese might retaliate, which would't be important; or, they might become embittered, which in the present state of world conditions, especially in their area, would be important. And it could spread to other nearby countries.

So far, the State Department has not gone beyond expression of great concern. There is reason to believe that pressure is being applied on Alabama and South Carolina not to enforce the statute, even if it is not repealed. But a court test seems inescapable. On the surface it would seem that an agreement between the two nations not to indulge boycott settles the matter, but it isn't quite that simple. It is undoubtedly true that the courts would declare any barrier to shipment of Japanese merchandise in interstate commerce falls under the weight of the trade treaty and must be lifted. Another question presents itself when the goods have come to rest within the jurisdiction of a state and across-the-counter dealing in a local store is involved. And as the discussion warms, the Bricker Amendment limiting Presidential treaty power hovers.

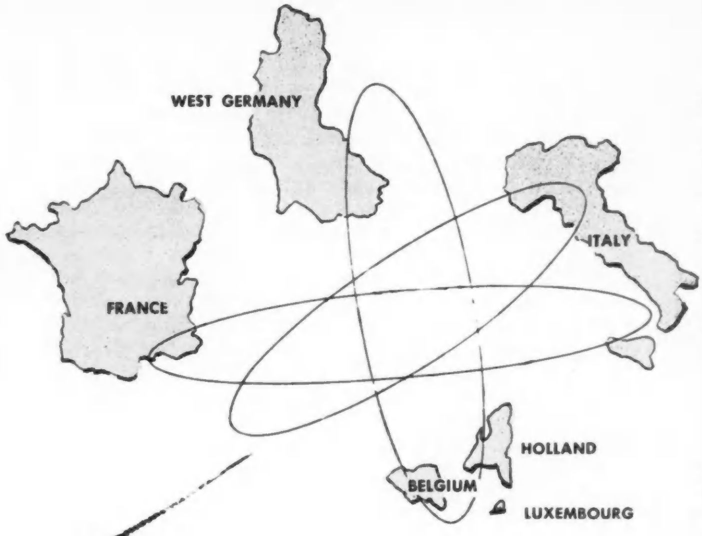
The Federal Reserve Board's statisticians are looking forward with interested expectation to the early summer months. It has drawn on its armory of anti-inflation weapons somewhat heavily and may have to return for more. Its lending rate to reserve system banks now stands at the highest level since May, 1933; there have been five increases in 12 months, each considered necessary to put the brakes on expanding credit and its partner, inflation. Wages and prices have been moving upward in all categories except farm and food products. And this summer brings a new showdown: Steel wage contracts come up.

There is no present suggestion that the steel operators will resist a substantial pay increase. Customers are being readied for the price boost, which follows of necessity upon higher operating costs. Industrial expansion and piling up of inventories have been pushing borrowings up steadily. In a few areas shortages of materials and of skilled labor are being reported; when that happens it usually spreads to get worse before it gets better. It's the same old law of competition. All of these circumstances are being watched by FRB, with care but not with anxiety.

In spite of the fact that automation is one of the most thoroughly discussed subjects in management conferences and union halls, an official analysis using actual operations has not reached the "best seller" list of Department of Labor publications. The results of orderly transition to automatic production processes through planning, amicable union-management relations and proper timing with respect to economic conditions were reported for two firms by the Bureau of Labor Statistics in the Fall of 1955. In two volumes totaling 38 pages, the subject was highpointed and made available.

The reports describe the introduction of automation into a large plant manufacturing electronic equipment and into a life insurance company's classification section where business operating statistics were prepared and running inventories on active insurance policies maintained. The case studies are meant to be illustrative, not necessarily representative of those encountered. The report notes that the new methods apparently have been accepted by the workers as part of the normal process of shop changes. The agreement between company and union which became effective three months after installation of new production methods is to run two years. It makes no mention of automation. Studies of other types of industry now are in contemplation. Stress will be on the effect automation has on jobs and scales.

Will Atomic Energy Unite Europe?



By JOHN H. LIND

A major advance in international cooperation sparked by vision of atomic energy about to take place in Western Europe.

The standard utopian vision of the atomic age is that of a world with an unlimited supply of low-cost energy with all its implied benefits for a society whose material progress can be measured largely in terms of the available non-human energy.

For the dawn of this era we will have to wait at least another ten years. However, in the meantime atomic energy is rapidly, if unexpectedly, becoming a boon to a totally different field of human endeavor—international cooperation. The elusive ideal of closer cooperation between peoples, particularly in the economic sphere, is as old and as important as the search for an inexhaustible source of energy. Heretofore, the two were independent of each other but the enormous possibilities, dangers and costs of harnessing atomic power have given a much needed boost to the planners of projects and activities which extend across man-made borders. Last year's world conference on atomic energy in Geneva set the stage for the new approach and the recently approved United Nations project for an International Atomic Energy Authority, with both the U. S. and the Soviet Union in the executive board, was a big step in that direction.

However, the major advance in international cooperation and even integration, sparked by the vision of atomic energy, is about to take place in Western Europe. The idea of a regional rapprochement among Europe's twenty-odd non-communist nations existed of course before the possibilities of the atom became obvious. The 17-member Organization of European Economic Cooperation (OEEC) was founded in 1948 to cope with the various problems of U. S. aid under the Marshall Plan. It is still very much in existence, prodding its members to lower their various restrictions against trading with each other and providing an intra-European clearing house and credit agency. However, it has not been assigned any major additional tasks to advance Europe's economic unification still further, though the necessity of it is fully recognized. Another established scheme is the European Coal and Steel Community (ECSC), founded in 1952.

Its six members (Germany, France, Italy, Belgium, Holland, Luxemburg) agreed to transfer certain national prerogatives of their coal and steel sectors to a supra-national High Authority in order to create a large common market for both products. Again, the ECSC was meant only as a first step toward total economic fusion of the six countries. At least, this was the vision of Jean Monnet, the High Authority's first chairman. Yet, political events in France and Germany have barred any further moves in this direction, as was demonstrated by former French Premier Mendes-France's removal of Monnet just because he was too "European"-minded and the rejection of an all-European status by the people of the Saar.

Continent's Dwindling Coal Supply

It is against this background of arrested growth in the economic unification of Europe that we must view the current plans of both the OEEC and the ECSC in regards to atomic energy. Both are based on the two premises that the utilization of atomic energy does not permit a country-by-country approach and that the very newness of atomic energy and consequent absence of vested interests should make possible a degree of concerted action beyond anything achieved so far.

Equally important is the rapidly widening gap between the continent's fuel supply and demand. Europe's industrial predominance was always based on the local availability of cheap fuel in form of coal. But now the continent's coal supply is rapidly

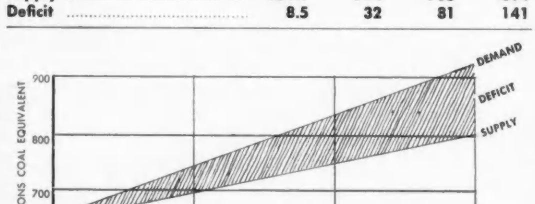
falling behind its needs with the consequent rise in coal prices and the necessity to rely more and more on imported fuels, i.e. coal from the U. S. and oil from the Middle East. According to a very reasonable estimate which assumes a 2.5 per cent annual growth in fuel demand, the annual deficit in traditional fuels will be equivalent to at least 140 million tons of coal by 1968, or about $2.8 billion at today's prices. Clearly, Europe must find a new domestic source of energy if it is not to lose its position as the world's second most important industrial area.

In examining Europe's two international atomic energy plans let us first look at that of the ECSC, the more radical one. It proposes to establish a supra-national authority under the name of Euratom, similar in function to the High Authority which exercises supreme control over the area's coal and steel industries. However, because of inherent differences between atomic energy and any other industry, Euratom's functions would by far transgress those of the present High Authority. Euratom would maintain a monopoly of all nuclear materials which could only be leased to firms or other organizations in the member countries; it would provide for a common market for all atomic materials, equipment, services and specialized personnel; it would build and operate an isotope separation plant (necessary for the "enriched" uranium which fuels most atomic reactors); it would provide for joint research in atomic work and, finally, it would act as a supreme watchdog to prevent any military infringement on what is to be strictly an operation for peaceful purposes. So far, these provisions have been accepted only in general principle by the ECSC's 78-member Common Assembly.

Supply and Demand of Conventional Energy in OEEC Countries

(in million tons of coal equivalent)

	1953	1958	1963	1968
Demand	659.6	746	844	955
Supply	651.1	714	763	814
Deficit	8.5	32	81	141



ENERGY SUPPLY AND DEMAND O.E.E.C. COUNTRIES

Intra-European Trade of OEEC Countries

	$ million Exports F.O.B.	Volume (1950-100)
1950	9,755	100
1951	13,065	110
1952	13,133	106
1953	13,540	119
1954	14,950	135
1955*	17,070	151

*—Estimated.

The State of Atomic Energy

The U. S. vs. EUROPE

	U.S.	EUROPE
POWER REACTORS IN USE OR UNDER CONSTRUCTION	20	5-6
PROTOTYPES OF POWER REACTORS IN USE	6-8	2
RESEARCH REACTORS IN USE	30	8
MATERIAL-TESTING REACTORS	2	0
ATOMIC MARINE ENGINES	2	0
ISOTYPE SEPARATION PLANTS (index figures)	1,000	100
OUTPUT OF HEAVY WATER PLANTS (index figures)	2,000	100
ATOMIC TECHNICIANS EMPLOYED	15,000	8,000
SCIENCE STUDENTS (enrolled in 1952)	500,000	180,000
GOVERNMENT EXPENDITURES ON NUCLEAR ENERGY	$ 2 billion (1954)	$ 300 million (1955)

At a meeting last month the Assembly became temporarily bogged down on questions of where and how but Belgian foreign minister Paul-Henry Spaak who heads the sub-committee working out the various proposals feels that definite progress can be expected at the conference of the six foreign ministers in May when the finished proposals will be submitted. Most officials connected with ECSC agree with him and predict that Euratom will come into existence this year.

Some Problems to Be Resolved

Most important among the unsettled problems are the relations between government and private industry and the type of security regulations to be adopted. Socialist delegates of all six countries said they would not wish to leave to private interests "a domain where collective interests must be dominant" while Christian Socialists and Liberals (Conservatives) emphasize the importance of private enterprise in the proposed undertaking. The opposition to a supra-national atomic energy monopoly is particularly strong in Germany where a government draft law which would put all production of nuclear fuel into private hands, under government license, has just been submitted to Parliament. The security issue is even more complex.

All Socialists insist that no atomic weapons be manufactured in any of the countries of the Community. In this they are backed by M. Monnet's powerful non-partisan *Action Committee for a United States of Europe* which has the support of most of the Continent's non-Communist parties. Of course, there is full agreement with the general idea of restricting the products of the proposed atomic energy pool to peaceful purposes. But several countries contend that a situation might well arise where a total restriction on the manufacture of atomic weapons in any of the member countries would be unrealistic and untenable. Some observers feel the outcome will be a compromise under which member countries may manufacture atomic weapons, but without using nuclear fuel from any Euratom installation, for a limited period, say five years.

The Monnet Committee and the leaders of the ECSC agree on another basic principle, namely that the creation of an atomic pool should only be another step towards the total economic merger of "little

Europe." M. Spaak made it quite clear only last March that either Euratom and a general Common Market will come about or neither of them. In fact, Spaak has already a fixed schedule for full economic integration which would essentially take the form of a customs union. The total period of transition would be from 12 to 15 years. At the end of the first year there would be a 10 per cent reduction in all tariffs between the six nations. In the next three years there would be two further 10 per cent reductions, followed by another 20 per cent cut in the ensuing four-year period. The remaining 40 per cent would be abolished in the final four to seven years. There will be a common tariff against the outside world which, however, is not intended to be prohibitive.

"The most important thing," according to M. Spaak, "is that we are creating a bargaining weapon such as no European has ever wielded before. In international negotiations we shall speak as representing . . . over 150 million people." Since M. Spaak's country Belgium owns one of the world's largest uranium deposits in its African Congo possession his insistence that all nations concerned commit themselves to the Common Market principle before Euratom comes into being, can not be easily brushed aside. Actually, only France among the six ECSC members is still reluctant to subscribe to the Common Market, mainly because of the fear that its industry which is heavily protected by tariff walls might not withstand free competition with its neighbors. However, Spaak's slow stage-by-stage approach to the problem should be acceptable even to France.

The European Coal and Steel Community

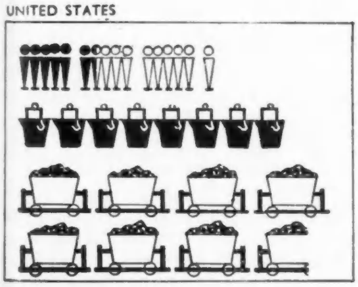
Britain Looks Askance

How do countries outside the ECSC feel about Euratom? The U. S. is fully supporting it. Both President Eisenhower and Secretary Dulles informed M. René Mayer, chairman of the ECSC's High Authority, of this during his recent visit to Washington. Subsequently, the President officially welcomed actions "for an integrated community for Western Europe." Our view is that economic integration, by creating a true mass market on the American scale, would raise the area's standard of living and also close the residual dollar gap in Europe's foreign trade. This does not mean that some American exporters would not find it more difficult to sell goods in Western Europe once its major countries are surrounded by a common wall of protective duty. All customs unions discriminate by their very nature against all outsiders and this one would certainly not be an exception.

The British are well aware of this and are therefore not at all happy about the new trend across the Channel. They are particularly worried about Euratom since its existence could close off this major potential market to Britain's rapidly developing atomic energy industry whose 250 firms (compared to 65 in the U. S.) are eager to carve out for themselves the biggest (*Please turn to page* 258)

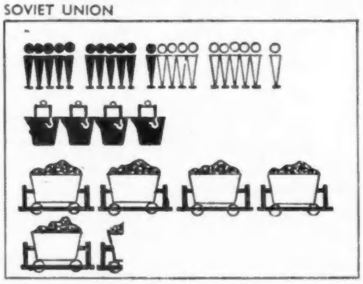
Comparative Statistics on

UNITED STATES



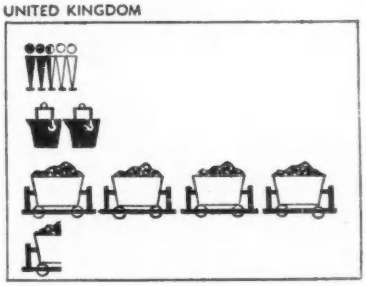
Population 1953 (million)	160
Active working population 1953 (million)	66
Area (sq. miles thousands)	3,000
Steel production 1954 (in million metric tons)	80
Coal production 1954 (in million metric tons)	380

SOVIET UNION

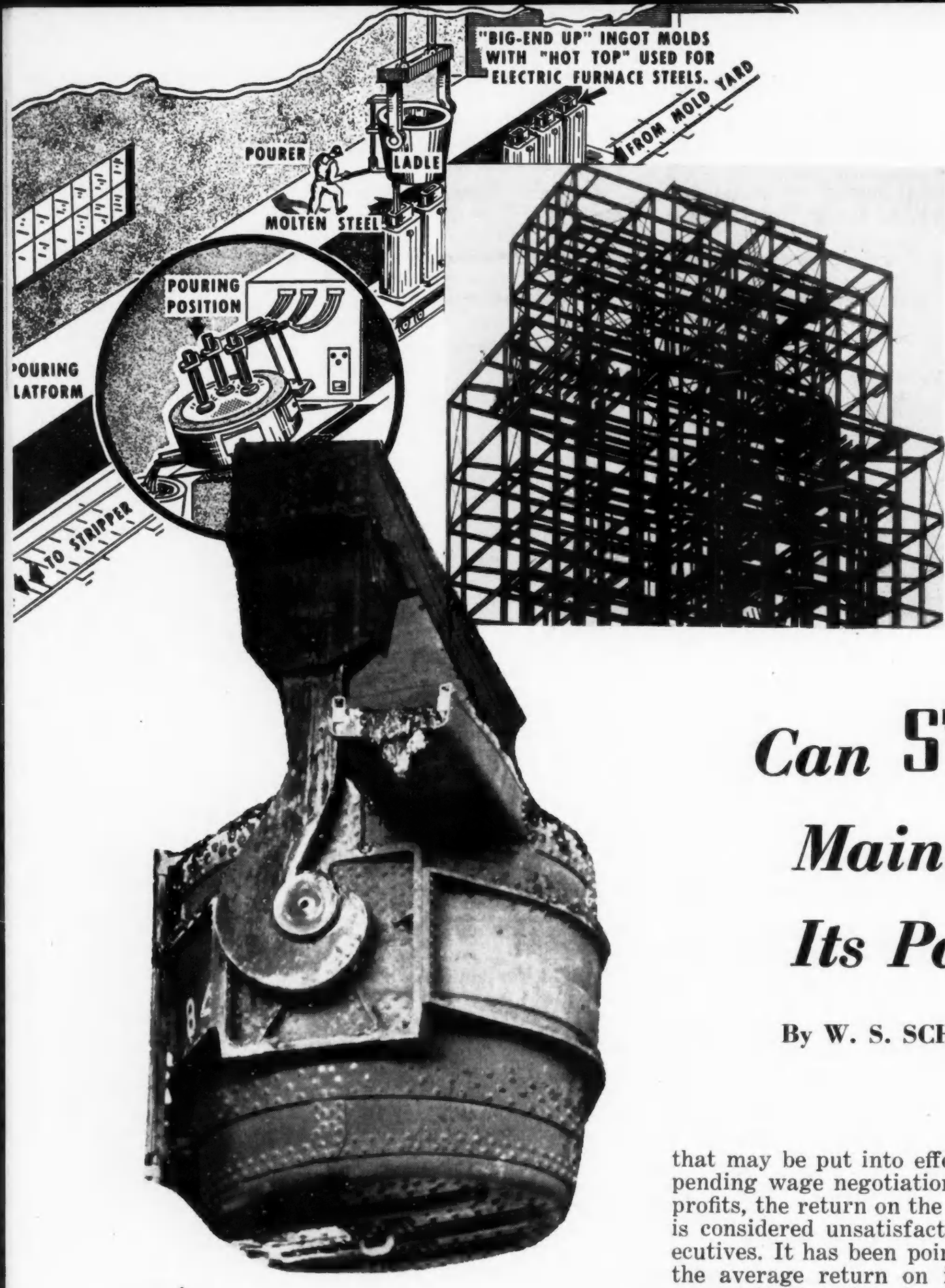


Population 1953 (million)	210
Active working population 1953 (million)	111
Area (sq. miles thousands)	8,600
Steel production 1954 (in million metric tons)	40
Coal production 1954 (in million metric tons)	267

UNITED KINGDOM



Population 1953 (million)	51
Active working population 1953 (million)	23,5
Area (sq. miles thousands)	94
Steel production 1954 (in million metric tons)	19
Coal production 1954 (in million metric tons)	227,5



Can STEEL *Maintain Its Pace?*

By W. S. SCHROEDER

A widely heralded postwar slump in the steel industry still seems as far distant as ever. In spite of an increase in capacity of about 40% since the war, steel currently is moving to customers as rapidly as the nation's mills can produce it and demand remains unsatisfied. In fact, one of the industry's most disturbing problems at the moment is the evident need for construction of additional facilities at prohibitive costs. Prominent steel executives have been stressing the necessity of raising prices sharply to obtain an adequate return on the investment justifying greater expansion.

Proposals for upward revisions in quotations of $12 to $15 a ton have evoked protests from consumers, however, who cite record earnings of representative producers without the benefit of increases that may be put into effect after completion of impending wage negotiations. Despite steady gains in profits, the return on the investment in the industry is considered unsatisfactory by major industry executives. It has been pointed out, for example, that the average return on investment for 12 leading companies in other important industries approximated 22.2% for 1955, while eight of the largest steel producers showed a return of only 15.1%.

New Strides in Making

The industry has achieved enviable results in the decade since the war and is well situated to continue its vigorous progress. In fact, so impressive have financial and production records been in recent years that industry spokesmen feel they can substantiate their arguments that steel is a sound growth industry. All indications point to establishment of another all-time record in output and earnings this year. March quarter interim statements have testified to the consistent improvement in earning power. Heavy order backlogs at the beginning

Comparative Earnings and Dividend Records of Leading Steel Companies

	Earnings Per Share 1953	Earnings Per Share 1954	Earnings Per Share 1955	Dividends Per Share 1953	Dividends Per Share 1954	Dividends Per Share 1955	Recent Price	Div. Yield†	Price Range 1955-1956
Acme Steel	$ 3.35	$ 1.88	$ 3.11	$ 1.60	$ 1.60	$ 1.80	33	5.4%	35⅜- 25½
Allegheny Ludlum Steel	2.20	1.15	4.13	2.00[1]	2.00	2.35	41	5.7	43⅛- 19⅝
Armco Steel	3.25	3.93	6.05	1.50	1.50	1.95	61	3.1	62⅞- 32⅝
Bethlehem Steel	13.30	13.18	18.09	4.00	5.75	7.25	162	4.4	169½-101½
Carpenter Steel	3.78	2.98	4.09	3.00	3.00	3.75	57	6.5	57½- 27¾
Colorado Fuel & Iron	3.09	2.46	3.79	1.50	[2]	1.47½	33	4.4	34⅝- 21
Copperweld Steel	5.05	1.32	2.81	2.00	1.80	1.70	31	5.4	31½- 21¼
Crucible Steel	5.29	2.80	8.05	[3]	[3]	2.50	54	4.6	57½- 32½
Detroit Steel Corp.	2.16	.36	2.07	.75[4]	......	.25[4]	18	1.3	19 - 12¼
Granite City Steel	3.77	2.04	6.03	[6]	[5]	2.00	45	4.4	45½- 34
Inland Steel	6.90	7.92	9.52	3.50	3.75	4.25	89	4.7	91½- 66½
Interlake Iron Corp.	2.96	1.61	4.38	1.50	1.50	2.00	33	6.0	34½- 19⅜
Jones & Laughlin Steel	4.77	3.80	7.73	1.95	2.00	2.25	53	4.2	54¼- 32⅛
Keystone Steel & Wire	2.87	3.04	5.07	1.60	1.60	2.00	46	4.3	56 - 29½
Lukens Steel Co.	6.34	5.44	2.96	4.00	2.50	2.00	88	2.2	94 - 39⅛
National Steel	6.71	4.13	6.54	3.25	3.00	3.25	75	4.3	77½- 58
Pittsburgh Steel	2.61	.62	4.31	[3]	[3]	.25[4]	34	.7	35½- 22½
Republic Steel	4.63	3.55	5.59	2.06	2.43	2.50	49	5.1	54¾- 37⅝
Sharon Steel	6.10	2.85	7.26	4.00	2.50	2.50	48	5.2	49⅞- 33⅞
U. S. Steel	3.77	3.23	6.45	1.50	1.50	2.15	61	3.5	62¼- 33¾
Wheeling Steel	6.81	4.98	8.12	3.00	3.00	3.00[4]	55	5.4	56 - 44⅝
Woodward Iron Co.	2.62	2.75	4.12	1.00	1.66	1.66	35	4.7	42½- 22
Youngstown Sheet & Tube	9.21	6.02	12.34	3.00	3.75	4.00	102	3.9	108¼- 67½

†—Based on 1955 dividends.

1—Plus stock.
2—7½% stock.
3—8% stock.
4—Plus stock.
5—6% stock.
6—12% stock.

Acme Steel: Dependence on automotive industry and rising trend in cost of scrap steel and other raw materials tending to restrict improvement in earnings, but good showing indicated. (C3)

Allegheny Ludlum Steel: Strong demand for stainless types and development of new products contributing to improvement, as disclosed in profit gain of almost 100% in March quarter. Growth factor good. (B2)

Armco Steel: High rate of operations anticipated in spite of slackening in shipments to automotive and appliance trades. Huge expansion program tending to curtail payout of earnings in dividends. (A)

Bethlehem Steel: Recovery in shipbuilding activity contributing to resurgence in operations, with heavy industry absorbing increased volume of steel. Higher ratio of dividend payout intimated. (A*)

Carpenter Steel: Steady growth in demand for stainless and specialty types of steel assures progress, but uptrend in raw-material costs trims margins somewhat. Dividend rise seen. (B)

Colorado Fuel & Iron: Strengthening of production facilities and expansion of operations to wider areas should stimulate growth. Further gains in earnings foreseen as margins improve. (B)

Crucible Steel: Another growing factor in stainless and specialty steels which is beginning to benefit from extensive modernization of facilities. Company headed for another record year. (C3)

Detroit Steel: A sharp increase in output is expected to enlarge earnings. Net profit was reported running ahead of last year as much as 100% early in the year. Need for working capital promises to restrict dividends to $1 rate. (C3)

Granite City Steel: Advantage accruing from company's location near rapidly expanding consuming area around St. Louis becomes especially important at time of high industrial activity. Profits rising. (C3)

Inland Steel: Expanding market around Chicago accounts for promising outlook enjoyed by this company. Indications point to continuation of high rate of operations and higher earnings in 1956. (A)

Interlake Iron: Prospects enhanced by high rate of operations in integrated steel mills. This leading producer of merchant pig iron fares well in periods of great activity. Dividend policy liberal. (C3)

Jones & Laughlin: Assuming this company, like competitors, can raise prices to compensate for increased costs anticipated in second half, earnings should compare favorably with 1955 results. (B)

Keystone Steel & Wire: Strong demand for wire products promises to sustain sales in fiscal year ending next month. Risings costs of raw materials tending to restrict margins. Earnings up slightly. (B)

Lukens Steel: Sharply increased margins obtainable on heavy plate and other types enabled this non-integrated producer to boost earnings sharply in early weeks of year, indicating record for 1956. (C3)

National Steel: Slackening in sales to motor-car companies accounts for some caution in viewing company's prospects, but other industries are taking up slack. Earnings well sustained this year. (A)

Pittsburgh Steel: Benefits of extensive modernization and enlargement of production in finished types, such as hot and cold rolled steel, showing up in earnings gains, forecast at $6 a share or more. (C)

Republic Steel: Expansion in production of light steel products tending to improve margins. Plants strategically located to fare well in period of keen competition. Earnings in uptrend. (A)

Sharon Steel: Generally regarded as high-cost producer, this company's results show wide variation. Industry's strong position points to good year ahead, but longer-term prospects seem less assured. (C)

U. S. Steel: Industry leader expected to come up with another record year in sales and earnings, but need for further expansion in facilities to keep pace with consumption poses a problem. (A)

Wheeling Steel: With high backlog and earnings running almost double 1955 rate at this time, this company appears headed for earnings well above last year's peak. Dividend increase awaited. (B2)

Woodward Iron: Strong demand for pig iron assures excellent results for first half and indications seem promising for another good year, but fluctuations in operations are wide in this company. (B)

Youngstown Sheet & Tube: Strategic location and strong position in supplying oil industry's requirements combine to give this company a high rating. Further improvement in earnings indicated for 1956. (A)

RATINGS: (A)—High-grade investment quality. (B)—Good Grade. (C)—Speculative. (D)—Unattractive.
1—Above average appreciation potential at current market levels. 2—Retain for long-term investment. 3—Speculative, but improving.
*—Most attractive of group at current market price.

Comprehensive Statistics Comparing the Position of

Figures are in millions, except where otherwise stated.	Allegheny Ludlum Steel	Armco Steel	Bethlehem Steel	Granite City Steel	Inland Steel	Jones & Laughlin
CAPITALIZATION:						
Long Term Debt (Stated Value)	$ 30.2	$ 57.3	$336.9	$ 34.2	$ 84.1	$105.4
Preferred Stocks (Stated Value)	$ 4.0		$ 93.3	$ 4.4	......	$ 29.3
Number of Common Shares Outstanding (000)	1,777	10,633	9,597	2,017	5,509	6,293
TOTAL CAPITALIZATION	$ 36.1	$163.6	$735.7	$ 63.9	$177.7	$197.8
Total Surplus	$ 85.0	$280.3	$787.2	$ 38.4	$238.6	$328.6
INCOME ACCOUNT: Fiscal Year Ended	12/31/55	12/31/55	12/31/55	12/31/55	12/31/55	12/31/55
Net Sales	$255.2	$692.6	$2,096.6	$116.2	$659.7	$696.5
Deprec., Depletion, Amort., etc.	$ 10.8	$ 33.8	$102.6	$ 5.1	$ 21.5	$ 37.0
Income Taxes	$ 16.5	$ 66.6	$181.0	$ 9.7	$ 53.0	$ 58.8
Interest Charges, etc.	$ 1.0	$ 2.0	$ 8.5	$ 1.6	$ 2.7	$ 3.5
Balance for Common	$ 14.9	$ 64.3	$173.6	$ 12.1	$ 52.4	$ 48.6
Operating Margin	12.7%	18.2%	16.7%	23.8%	15.7%	14.3%
Net Profit Margin	5.8%	9.2%	8.5%	10.8%	7.9%	7.2%
Percent Earned on Invested Capital	16.5%	16.6%	15.1%	18.5%	15.8%	11.9%
Earned Per Common Share*	$ 8.25	$ 6.05	$ 18.09	$ 6.03	$ 9.52	$ 7.73
BALANCE SHEET: Fiscal Year Ended	12/31/55	12/31/55	12/31/55	12/31/55	12/31/55	12/31/55
Cash and Marketable Securities	$ 23.6	$ 85.0	$689.5	$ 24.6	$100.1	$118.0
Inventories, Net	$ 43.7	$147.4	$310.8	$ 22.6	$106.6	$ 94.5
Receivables, Net	$ 20.8	$ 56.7	$202.0	$ 7.4	$ 49.3	$ 55.6
Current Assets	$ 88.8	$289.2	$1,202.4	$ 55.1	$256.0	$268.2
Current Liabilities	$ 40.1	$106.4	$392.4	$ 21.9	$ 90.1	$102.9
Working Capital	$ 48.7	$182.8	$810.0	$ 33.2	$165.9	$165.3
Fixed Assets, Net	$ 72.2	$231.6	$736.7	$ 81.5	$233.1	$374.9
Total Assets	$163.8	$563.0	$1,998.6	$140.4	$513.7	$652.8
Cash Assets Per Share	$ 13.28	$ 8.00	$ 71.84	$ 12.21	$ 18.18	$ 18.76
Current Ratio (C. A. to C. L.)	2.2	2.7	3.0	2.5	2.8	2.6
Inventories as Percent of Sales	17.1%	21.2%	14.8%	19.4%	16.1%	13.6%
Inventories as Percent of Current Assets	49.2%	50.9%	25.8%	41.0%	41.6%	35.2%

*—Data on dividend, current price of stocks and yields in supplementary table on preceding page.

†—50 weeks ended 12/31/55.

of April virtually assured earnings for representative companies in the current three months approximating figures recorded for the March quarter.

In the midst of prosperity, steel executives are deeply concerned over two vital problems that almost certainly will have considerable bearing on results in the years ahead. First of these, chronologically, is the wage contract to be negotiated in the next few weeks outlining hourly rates of pay for millions of workers in steel mills and fabricating plants. Of primary importance, insofar as earnings are concerned, however, is the problem of expansion that must be faced in the months and years ahead. It seems evident, according to the industry's trade association, the American Iron and Steel Institute, that capacity must be raised from the present level of 128.4 million tons annually to 143 million tons or more in the next three or four years.

The Labor Problem

The two probems are interrelated because unless producers can raise prices on finished steel to compensate for the upcoming wage boost and provide something extra for financing installation of new facilities, then a serious handicap may be placed on operations. To understand the situation more clearly it may be well to see what probably lies ahead in next month's negotiations. It is assumed that the C.I.O. United Steelworkers will demand not only an increase in hourly rates but also establishment of a system for premium payments for Sunday and Saturday work. Up to now the steel industry has taken care of weekend wage standards by a continuous shift in work weeks so that employes are called upon to work Saturdays and Sundays only at intervals.

Wages and Prices

Much has been said also about probable demands for some sort of guaranteed annual wage or supplemental pay in addition to state relief in times of temporary unemployment. Altogether, therefore, demands by union leaders promise to be substantial. Management apparently had been hopeful of avoiding suspension of production by granting increases averaging about 15 cents an hour. If the other questions require concessions to avoid a strike, the package rate boost may run well above the tentative figure under study. In such an event, therefore, the industry may have difficulty in passing along price advances sufficient to compensate for higher wages without anything additional in the way of better earnings to be put aside for construction of additional facilities.

Leading Steel Companies

Lukens Steel	National Steel	Republic Steel	U. S. Steel	Wheeling Steel	Youngstown Sheet & Tube
$ 5.6	$ 55.0	$ 44.0	$286.0	$ 48.9	$100.0
....	....	....	$360.2	$ 35.7	....
318	7,378	15,437	53,495	1,909	3,378
$ 8.7	$128.7	$199.0	$1,537.9	$103.8	$206.3
$ 26.0	$324.1	$451.4	$1,330.7	$126.0	$256.5
12/31/55†	12/31/55	12/31/55	12/31/55	12/31/55	12/31/55
$ 82.4	$622.0	$1,188.5	$4,079.7	$246.7	$617.4
$ 1.6	$ 40.2	$ 45.4	$288.4	$ 15.8	$ 41.2
$ 3.4	$ 48.2	$ 84.0	$366.0	$ 8.4	$ 42.0
$ .2	$ 1.7	$ 1.9	$ 9.0	$ 1.4	$ 3.2
$ 2.5	$ 48.2	$ 86.2	$344.8	$ 15.5	$ 41.7
7.3%	14.6%	14.0%	17.7%	14.0%	12.6%
3.1%	7.7%	7.2%	9.0%	7.0%	6.7%
8.8%	12.1%	14.2%	14.3%	9.5%	11.4%
$ 8.09	$ 6.54	$ 5.59	$ 6.45	$ 8.12	$ 12.34
12/31/55	12/31/55	12/31/55	12/31/55	12/31/55	12/31/55
$ 5.1	$109.4	$102.7	$567.4	$ 30.9	$166.9
$ 12.7	$ 65.5	$161.1	$475.0	$ 65.1	$ 87.8
$ 6.8	$ 52.6	$ 89.4	$300.5	$ 19.4	$ 60.9
$ 24.9	$227.6	$353.4	$1,343.1	$115.5	$315.7
$ 8.7	$104.1	$ 97.3	$648.0	$ 39.1	$ 97.6
$ 16.2	$123.5	$256.1	$695.1	$ 76.4	$218.1
$ 17.2	$320.6	$334.6	$1,873.6	$131.8	$208.4
$ 44.2	$591.3	$764.4	$3,620.3	$279.1	$573.4
$ 16.32	$ 14.83	$ 6.65	$ 10.60	$ 16.22	$ 49.42
2.8	2.2	3.6	2.0	3.0	3.2
15.5%	10.5%	13.5%	11.6%	26.4%	14.2%
51.2%	28.7%	45.6%	35.3%	56.3%	27.7%

Management representatives who had hoped for a reasonable upward adjustment when the present contract expires June 30 had envisioned a price increase averaging about $10 to $12 a ton, of which it was believed that $7.35 would be sufficient to compensate for wage increases so long as volume production prevailed. This calculation was based on indications that the increase effected last year, approximating $7.35, offset the wage boosts averaging 15 cents an hour. In the light of recent indications that demands would range upward of 20 cents an hour, it has seemed likely that prices would need to be raised at least $10 a ton to offset higher labor costs without any provision for probable increased freight rates and raw-materials costs later in the year.

Under the circumstances, it is difficult to see how the steel industry can hope to set up a strong financial position so long as the inflationary spiral of wage and price advances are the vogue. Some producers thus may be faced with the threat of falling behind in the struggle for building up volume output. Production has been stepped up since the war chiefly by enlargement and modernization of existing plants. United States Steel Corp. went beyond this pattern by closing down obsolete facilities at the Homestead Works in Pittsburgh and construction of Fairless Works in Eastern Pennsylvania.

Starting from scratch to construct a steel mill is far more expensive than adding one or two open hearth furnaces or a new cold roll strip mill or new blooming mills. Output can be increased at comparatively modest costs by installation of new coke ovens or finishing equipment, whereas entirely new plants cost upward of $300 a ton of ingot capacity, it is estimated. On such a cost basis, steel would have to sell at considerably more than current quotations. Expansion that has taken place in the last decade has cost an estimated $7 billion, according to industry authorities. The proposed expansion of 15 million tons in rated capacity is expected to cost an additional $3.2 billion. How the funds are to be raised to complete the project is the vital question that industry executives are striving to answer. In addition to plants, new sources of ore, limestone and coal must be provided to assure economical operations.

Mounting Inventories

Virtual certainty of higher prices for this essential raw material for machinery as well as for consumer goods undoubtedly has exerted a powerful driving force in recent weeks. Despite the fact that many types of finished steel deteriorate if exposed to the elements for lengthy periods, consumers apparently have been accumulating all the inventories they feel can be safely stored. Steel sheets used in the automotive industry as a rule must be put to use within six weeks at the most, lest defects in the material appear as a production hazard. Losses in deterioration might be more important than any possible price advance in some instances, so there are limits beyond which consumers cannot safely proceed in accumulating inventories of raw materials. It is doubtful, for example, whether motor-car manufacturers have been able to build up stocks on hand to any significant extent.

Uncertainty over the extent to which raw materials have been accumulated in recent months beclouds the picture for the third quarter. Estimates for the steel industry's 1956 showing have varied considerably due to allowances made for a possible letdown in orders for the third quarter. Authorities' guesses suggest, however, that total output for the industry may push ahead to a new high record in 1956, surpassing last year's unprecedented total of some 111.6 million tons. At the rate production has been running, it now seems likely that this year's volume may approximate 119 million tons or more, assuming that no breakdown in negotiations next month results in a protracted cessation of production.

Imponderables Cited

Projections of earning power for the year as a whole have been made difficult not only by lack of a trustworthy index of probable cost increases but also by imponderables anticipated in connection with price advances. (*Please turn to page* 252)

Leader and Runner-Up in the Soft-Drink Field

By GEORGE W. MATHIS

At the end of 1955 when The Coca-Cola Company tallied net sales for the year it arrived at a total of $252,883,229. This represented an all-time peak, surpassing the previous best year, 1953, when net sales reached $251.2 million. If one should get the idea that this gain in 1955 was due to price increase such thinking is refuted by Coca-Cola's rigid price policy notwithstanding higher costs and increased taxes. The uptrend in dollar sales volume reflects increased consumption attested by gallon sales for 1955, both in the United States and worldwide, reaching the highest level in the company's 70-year history.

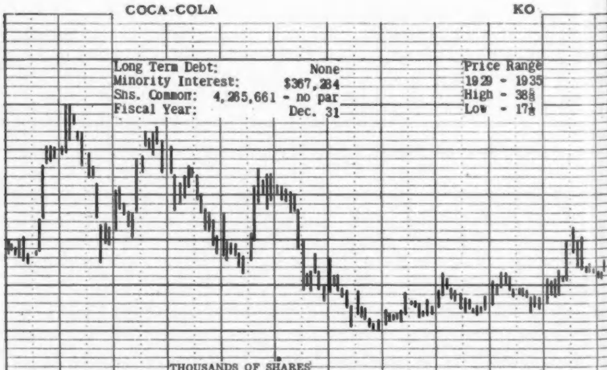
These gains, to be sure, are gratifying to management and shareowners alike. When analyzed, the gains become even more gratifying for they indicate broadening markets through population growth and the development of new dispensing equipment to serve areas that heretofore were untapped sources of sales dollars. An important factor in this growth is the young and virile management personified by former New York Herald-Tribune publisher William E. Robinson who, a little more than a year ago, was installed as Coca-Cola's president and chief executive officer.

This was the first major change in the company's top management in approximately 32 years. The new President was no stranger to Coca-Cola Company, having headed Robinson-Hannagan Associates, Inc., specialists in public relations and who had handled the Coca-Cola account for 15 years. Simultaneously with the election of a new president there were some stirrings that indicated a change in policies.

Trodding the Beaten Path

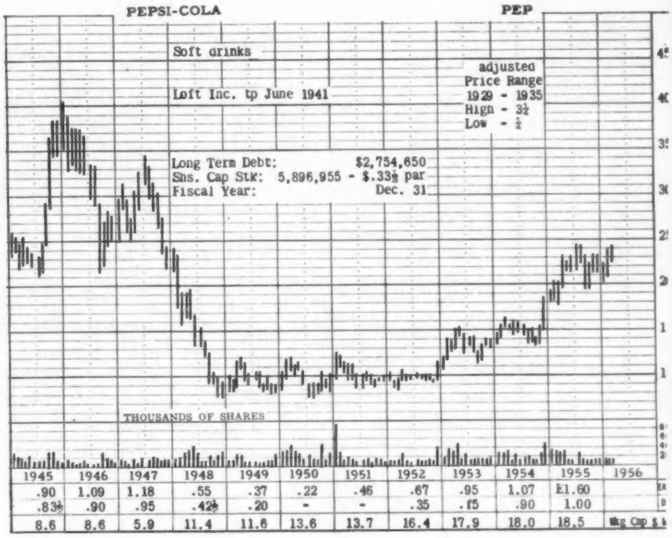
For years, under the old regime, the company rigidly adhered to the policy of producing one product, restricted its 1,100 or more franchised bottlers to packaging Coca-Cola in standard 6½-ounce hour-glass bottles—the world's most famous package. This policy of long standing appeared to be sound in view of the company's steady growth over the years. By 1940, net sales had reached $95.7 million and net income in that year amounted to $28.8 million. This was equal to $6.77 a share for the four million shares then outstanding. As subsequent years rolled by mounting sales furnished evidence of Coca-Cola's appeal to the masses the world over. Witness the fact that by 1953 sales had zoomed over the $251 million mark and although the company gave out no actual figures as to gallon sales of its syrup it did state that gallon sales in 1953 attained the highest level in its 68-year history, and net profit for the year amounted to $28.2 million, or $6.60 a share on 4,280,805 shares outstanding. The record of 1954 sales and earnings read a little differently. Dollar sales fell off to $243.2 million and net income applicable to the stock slipped to $25.9 million or $6.07 a share.

That the company failed to achieve a new high in sales for the year did not necessarily indicate it was losing its markets in this country or in foreign lands. Earlier years had recorded sales fluctuations. For 1950, for instance, net sales which in the preceding year were close to $230 million dropped to $215.2 million, recovering to $225.6 million in 1951,



$245.6 million in 1952, and by 1953 had scored a new, up to then, all-time peak. Just how much influence increasing competition by Pepsi-Cola had in pulling 1954 sales down to $243 million is conjectural, but there is little doubt that its competitor was attracting business by offering the public a 12-ounce bottle with further sales being stimulated by the introduction of an 8-ounce and a 26-ounce family size bottle. These moves on the part of Coca-Cola's growing competitor once again proved that competition is the life of business.

Up to then, sales of "Coke" represented about 50 per cent of the soft drink business. The other 50 per cent had been divided, although not equally, among other companies making up the industry. At the time it appeared the Coca-Cola Company was content to go along selling its syrup to jobbers for distribution to soda fountains, and having it bottled in the one size container to supply bottle vending machines and on-premise consumption at carnivals, ball parks and neighborhood candy and refreshment stands.



Changes Were Taking Place

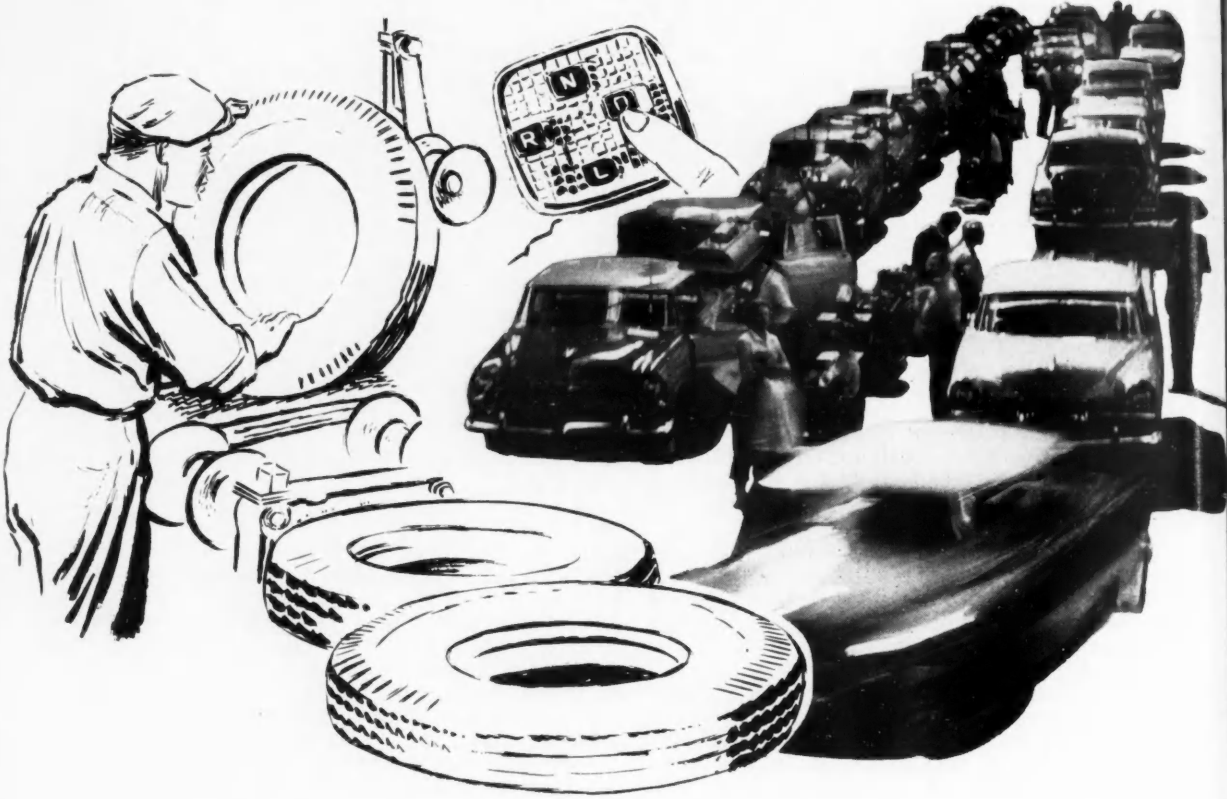
Meanwhile, the take-home market was growing fast, as was also the number of outlets through bottle coolers and vending machines of all types and sizes in theatres, offices, variety and other types of stores, and industrial plants. Looking back a couple of years at this time makes it appear that the old Coca-Cola regime, while not exactly lethargic, was seemingly satisfied to move along its beaten path. As recently as early 1955, it made the statement that its market research through the years had shown the majority of the public prefer Coca-Cola in the standard 6½-ounce bottle. Nevertheless, shortly after the turn of 1955, announcement was made that recent studies indicated there is also a potential market for Coca-Cola in larger size bottles, particularly for group refreshment in the home. Simultaneously with this announcement came the statement that the company was already testing the bottling and sale of its product in intermediate king size and the still larger family size bottles in a number of markets.

Whether this move can be credited entirely to President Robinson is open to question. In any event, the attention given to offering "Coke" to the public in a choice of bottles sizes indicated that management was aware of the changing buying habits of soft drink consumers with the advent of television, more leisure time, and the growth of the supermarket as an outlet for the larger bottles of soft drinks. As the company itself states, in merchandising the king and family size bottles of Coca-Cola, "we are bearing in mind that this new line of packages was developed to suit a wide range of consumer preferences," ranging from a teen-ager who can make short work of a 10- or 12-ounce king size, other consumers who find a satisfying and refreshing drink in the standard 6½-ounce size, with the family size providing liberal portions at parties or family gatherings. By the end of 1955, following market tests, 40 per cent of Coca-Cola bottlers had introduced either one or two new sizes, and by the end of this year it is expected this number will

(*Please turn to page* 244)

Comparative Statistical Summary

	Coca-Cola	Pepsi-Cola
CAPITALIZATION: as of	12/31/1955	12/31/1955
Preferred Stock	None	None
Common Stock (number of shares)	4,265,778	5,909,005
Long Term Debt (000 omitted)	None	$ 1,999
Total Capitalization (000 omitted)	$ 26,755	$ 3,968
Total Surplus (000 omitted)	$ 161,327	$ 37,124
INCOME ACCOUNT (000 omitted) Year Ended	12/31/1955	12/31/1955
Net Sales	$ 252,883	$ 88,900
Operating Earnings	$ 59,264	$ 18,360
Operating Margin	23.4%	20.6%
Total Income Tax	$ 30,668	$ 9,424
Net Income	$ 27,484	$ 9,456
Net Profit Margin	10.8%	10.6%
Net Per Share 1955	$ 6.44	$ 1.60
5 year average, net per share (1951-55)	$ 6.32	$ .95
Amount earned on invested capital (1955)	14.4%	43.9%
Current Price of Common	122	25
Price—Earnings Ratio	18.9	15.6
1955 Dividend	$ 5.00	$ 1.00
Dividend Yield	4.0%	4.0%
BALANCE SHEET ITEMS (000 omitted) as of	12/31/1955	12/31/1955
Cash & Marketable Securities	$ 81,505	$ 20,372
Cash Assets as % of Currents Assets	64.5%	62.1%
Receivables, Net	$ 14,735	$ 5,366
Inventories, Net	$ 29,950	$ 4,693
Inventories as % of Current Assets	11.8%	5.2%
Inventories as % of Current Assets	23.7%	14.3%
Total Current Assets	$ 126,191	$ 32,803
Total Current Liabilities	$ 26,360	$ 14,300
Net Working Capital	$ 99,831	$ 18,502
Current Ratio	4.8	2.3
Total Assets	$ 244,186	$ 58,087
Book Value per Share	$ 41.45	$ 6.62
Net Property	$ 65,063	$ 14,996



AUTOS
Accessories and Tires

By GEORGE L. MERTON

Problems which the automobile makers have been meeting this year indicate that they may have to wait as much as three to four years before they are able to set production records which go beyond the all-time peak of 7.9 million units established in 1955. In the interim, the industry's earnings may remain below the 1955 level.

Once the industry enters the 1960's, however, the rising curve of family formation resulting from the high birth rate of the 1940-50 decade should enable the industry to move into new high ground. The 10-million car year, which seemed to be "just around the corner" last year, may finally be achieved in the 1960's, if the national climate is right for a high level of buying of consumers' goods.

For the makers of trucks, the wait may not have to be so long for the setting of new high records. The steady growth of business and the movement of more families to the suburbs may enable the truck-makers to remain on a high plateau for several years.

Plight of the Parts-Makers

Producers of parts for automobiles will find the going somewhat rough during the coming years, unless they have excellent programs of research and development, along with good diversification. For the major car producers have indicated that they will pursue greater integration, and will steadily cut down their reliance on independent suppliers of parts and components. This means that parts companies will be able to maintain their auto volume only by investing large sums in new developments

Statistical Data on Auto, Auto Accessory and Rubber & Tire Companies

(A) Leading Auto and Truck Manufacturers

	Earnings Per Share			Dividends Per Share			Recent	Div.	Price Range
	1953	1954	1955	1953	1954	1955	Price	Yield†	1955-1956
American Motors Corp.	.....	$ [d]1.95	$ [d]1.23	.....	$ .12½	.....	7	....	13⅜- 6⅞
Chrysler	$ 8.59	2.13	11.49	$ 6.00	4.50	$ 4.00	70	5.7%	101½-66⅛
Ford	3.14	4.31	8.17	.....	.....	3.25	57	5.7	63⅜-55[2]
Fruehauf Trailer	2.23	1.22	1.77	2.00	2.00[1]	2.00[1]	37	5.3	38⅜-17⅛
General Motors	2.23	3.02	4.26	1.33	1.66	2.17	44	4.9	54 -29⅞
Mack Trucks	1.49	.77	4.38	.....	.....[2]	.....[2]	38	....	39 -17⅝
Studebaker-Packard		[d]4.06	[d]4.61	.....	.....	.....	8½	....	15⅜- 8
White Motor Co.	5.39	4.67	5.90	2.50	2.50[1]	2.60[1]	44	5.9	45⅜-29¾

(B) Leading Auto Accessory Companies

	Earnings Per Share			Dividends Per Share			Recent	Div.	Price Range
	1953	1954	1955	1953	1954	1955	Price	Yield†	1955-1956
Bendix Aviation	$ 4.10	$ 5.62	$ 5.66	$ .75	$ 1.00[1]	$ 2.10	60	3.5%	62¾-45
Borg-Warner	3.26	3.27	5.17	1.66	1.66	1.92½	47	4.0	50⅞-34¾
Eaton Mfg.	5.41	4.78	7.42	3.00	3.00	3.00	62	4.8	63 -45
Electric Auto-Lite	6.73	.45	6.31	3.00[1]	1.50[1]	2.50	36	6.9	53 -35⅛
Electric Storage Battery	1.87	8.58	2.90	2.00	2.00	2.00	36	5.5	39⅝-27¾
Federal-Mogul-Bower Bearings	.....	3.06	3.68	2.00	2.25	2.25[1]	36	5.3	37½-26¾
Houdaille Industries Inc.	3.27	.97	1.81	1.50	.90	.25[1]	15	1.6	16⅝-12⅝
Motor Products	6.22	[d]2.41	[d]3.73	2.00	.50		34		35¾-20
Rockwell Spring & Axle	3.12	2.65	3.79	.50	2.00	2.00	35	5.7	35⅜-24⅛
Stewart-Warner	3.04	2.05	4.27	1.80	1.95	1.95[1]	37	5.2	39½-23¾
Thompson Products	3.56	4.25	4.03	1.00[1]	1.10	1.40	61	2.3	68½-43⅝
Timken Roller Bearing	4.48	4.40	9.13	3.00	3.00	4.00	79	5.0	79¾-48

(C) Leading Tire & Rubber Stocks

	Earnings Per Share			Dividends Per Share			Recent	Div.	Price Range
	1953	1954	1955	1953	1954	1955	Price	Yield†	1955-1956
Dayton Rubber	$ 2.34	$ 1.65	$ 3.43	$ 2.00	$ 1.25	$ 1.00	23	4.3%	27⅝-15⅝
Firestone Tire & Rubber	5.89	5.03	6.82	1.87½	1.87½	2.50	73	3.4	82¼-54
General Tire & Rubber	4.46	2.89	6.29	2.00	2.00	2.00[1]	59	3.3	66¾-41⅝
Goodrich (B. F.)	4.08	4.40	5.90	1.37½	1.60	1.90	83	2.2	89¼-59½
Goodyear Tire & Rubber	5.14	5.04	5.26	1.50[1]	1.62½	2.00	68	2.9	75 -50¾
Lee Rubber & Tire	2.00	1.66	2.06	1.33[1]	1.33	1.35	21	6.4	25 -20½
Seiberling Rubber	2.11	.02	2.35	1.00	.30	.....	15	....	21⅝- 8⅜
U. S. Rubber	5.19	4.29	5.24	2.00	2.00	2.00[1]	55	3.6	60⅞—39⅝

[d]—Deficit. †—Based on 1955 dividend. [1]—Plus stock. [2]—10% stock 1955; 5% in 1954.

American Motors: Non-recurring profit from sale of Ranco stock eliminated operating loss in first fiscal quarter, but intense competition in auto industry dims full year's outlook. (D)

Chrysler Corp.: Recovery of former competitive position along with aggressive sales promotion strengthening its place among the "big 3". Long-term holdings should be retained. (B)

Ford Motor: Lowered passenger car demand indicates earnings dip from 1955 net of $8.17 a share. Would continue to hold long-term commitments in this issue. (A)

Fruehauf Trailer: Heavy current order backlog presages substantial increase in earnings over last year's $1.77 a share. Stock appears adequately priced but is worth retaining for long-term growth. (B)

General Motors: Decline of $157 million in defense sales partly offset by increase of $121 million civilian sales in first quarter. 1956 earnings should closely approach 1955 level. Hold for income and long-term appreciation. (A)

Mack Trucks: Current indications are for a record high in sales and earnings this year. Speculative holdings can be left undisturbed. (C3)

Studebacker-Packard: Intense competitive conditions in auto industry and need for replenishing working capital complicate problems. (D)

White Motor: Sustained high volume of business in commercial vehicle and replacement parts presages 1956 earnings matching those of last year. Dividend secure and stock worth retaining. (C3)

Bendix Aviation: Large and well-diversified producer, with position enhanced by heavy emphasis on research and development of new products. Dependence on auto industry has been lessened, and company has an important stake in aviation and electronics. (B)

Borg-Warner: Outstanding in its group, the company has the advantages of sound management, excellent research and continuing diversification. Auto equipment now accounts for less than 50% of total sales. (B2)

Eaton Mfg.: Has above-average record in its group. Chrysler, International Harvester, General Motors and Ford account for about 75% of sales. Development of new products makes the outlook satisfactory despite contraction in auto demand. (B)

Electric Auto-Lite: Highly dependent on original auto equipment business, with Chrysler the main customer, company will have difficulty in matching 1955 earnings of $6.31 a share. (B)

Electric Storage Battery: Leading producer of auto batteries with about half of sales from replacement demand. Outlook has been improved by increased operating efficiency. (C)

Federal-Mogul-Bower: Formed on July 29, 1955 by a merger of Federal-Mogul and Bower Roller Bearing, company manufactures a complete line of bearings for automotive and other purposes. Predecessor companies had favorable growth records. (C3)

Houdaille Industries: Diversification in non-automotive lines and organizational change contributing to improved earnings. Additional cash dividends expected at 25-cent quarterly rate. (C)

Motor Products: Results for current fiscal year hinge on product sales to Ford and Chrysler, its two main customers. Discontinuance of Deepfreeze division and sale of a plant should aid finances. (C)

Rockwell Spr. & Axle: Lower sales of parts and components for autos may be partially offset by demand from truck builders. Although 1956 earnings are likely to drop below last year, dividend coverage should be ample. (B)

Stewart-Warner: Has lessened its dependence on the auto industry and further improved its position by a cost-cutting program and new product development. Strong finances. (B)

Thompson Products: New product development and entry in electronics field providing broader diversification for this leading maker of parts for the auto and aircraft industries. Current dividend at conservative rate. (B)

Timken Roller Bear: Leading producer of roller bearings holds strong competitive position as supplier for the automotive, machinery, machine tool, railroad and other industries. (B)

Dayton Rubber: One of the smaller rubber companies with well diversified products, but has to meet keen competition. Anticipated good 1956 demand for replacement tires should hold earnings close to last year's level. (C3)

Firestone Tire & Rubber: Current year's earnings should be only moderately under $6.82 a share shown for last year. Although present $2.50 annual dividend returns only a modest yield the stock is worth holding for its long-term potentials. (A)

General Tire & Rubber: Diversification has taken the company into such fields as moving pictures, plastics, rockets and rocket fuels, and guided missiles. The stock, somewhat speculative, is worth retaining on that basis. (C3)

Goodrich (B. F.) Co.: Continues to maintain its position as one of the foremost rubber fabricators and is also expanding as a producer of synthetic rubber, chemicals and plastics. (A)

Goodyear Tire & Rubber: Rated as the world's largest rubber fabricator, Goodyear has achieved considerable diversification as a manufacturer of mechanical rubber goods, plastics and chemicals. (B2)

Lee Rubber & Tire: One of the smaller rubber fabricators that has been able to make a comparatively good showing because of a good trade position, diversity of markets and line of products. (C)

Seiberling Rubber: Profit of $2.56 a share in 1955 reflected record sales and results of further diversification including materials for the shoe industry and plastics. This uptrend continued in the 1956 first quarter. (C)

U. S. Rubber: Despite heavy flood damages last year earnings for the common stock were $5.24 a share. With this non-recurring expense out of the way, net this year should match that showing. (A)

RATINGS: (A)—High-grade investment quality. (B)—Good Grade. (C)—Speculative. (D)—Unattractive.
1—Above average appreciation potential at current market levels. 2—Retain for long-term investment. 3—Improving.
*—Most attractive of group at current market price.

Comprehensive Statistics Comparing the Position of Leading Auto &

Figures are in millions, except where otherwise stated.	Autos			Auto Accessories	
	Chrysler	Ford Motor	General Motors	Bendix Aviation	Borg Warner
CAPITALIZATION:					
Long Term Debt (Stated Value)	$125.0	....	$300.0	....	$ 5.6
Preferred Stocks (Stated Value)	....	....	$283.5	....	$ 16.3
Number of Common Shares Outstanding (000)	8,706	52,829[1]	276,058	4,570	8,139
TOTAL CAPITALIZATION	$342.6	$267.3[2]	$1,048.2	$22,853	$ 62.6
Total Surplus	$434.4	$1,601.7[2]	$3,506.7	$141,069	$182.5
INCOME ACCOUNT: For Fiscal Year Ended	12/31/55	12/31/55	12/31/55	9/30/55	12/31/55
Net Sales	$3,466.2	$5,594.0	$12,443.2	$567.2	$552.1
Deprec., Depletion, Amort., etc.	$165.0	$238.9	$293.7	$ 7.5	$ 12.6
Income Taxes	$125.0	$531.4	$1,353.3	$ 32.8	$ 43.7
Interest Charges, etc.	$ 3.5	....	$ 9.8	$ .7	....
Balance for Common	$100.0	$436.9	$1,176.5	$ 25.8	$ 41.0
Operating Margin	6.7%	16.6%	19.7%	10.2%	14.7%
Net Profit Margin	2.8%	7.8%	9.5%	4.5%	7.4%
Percent Earned on Invested Capital	15.3%	23.3%	27.9%	15.7%	17.1%
Earned Per Common Share (*)	$ 11.49	$ 8.17	$ 4.26	$ 5.66	$ 5.19
BALANCE SHEET: Fiscal Year Ended	12/31/55	12/31/55	12/31/55	9/30/55	12/31/55
Cash and Marketable Securities	$349.9	$568.2	$1,210.4	$ 32.2	$ 85.9
Inventories, Net	$388.1	$563.2	$1,601.6	$103.9	$ 90.8
Receivables, Net	$121.3	$121.6	$580.4	$ 83.9	$ 68.0
Current Assets	$891.1	$1,269.0	$3,392.5	$220.1	$244.8
Current Liabilities	$585.8	$643.6	$1,334.3	$109.0	$ 99.1
Working Capital	$305.3	$625.4	$2,058.2	$111.1	$145.7
Fixed Assets, Net	$458.0	$1,192.4	$2,353.0	$ 49.4	$ 81.4
Total Assets	$1,362.8	$2,585.3	$6,344.7	$278.0	$343.8
Cash Asset Per Share	$ 40.19	....	$ 4.38	$ 7.06	$ 10.55
Current Ratio (C. A. to C. L.)	1.5	1.9	2.5	2.0	2.5
Inventories as Percent of Sales	11.2%	10.0%	12.8%	18.3%	16.4%
Inventories as Percent of Current Assets	43.5%	44.3%	47.2%	47.2%	37.1%

*—Data on dividend, current price of stock and yields in supplementary table on preceding page.

1—Includes 42,628,000 "A" & "B" shares.
2—As of 1/26/1956.

for the car-makers.

The handwriting is on the wall for many small makers of standard auto parts. These producers are unable to make parts as cheaply as the integrated producers, and, as a result, their volume of business is steadily declining.

The tire industry's position appears to be more secure than that of the auto parts-maker. No new competition is entering their field; and the major car-makers do not contemplate production of tires. The tire market should steadily expand, aided by growth of the replacement market, although original equipment sales may remain below the record set in 1955 for several years. Active diversification programs are paying off for the tire producers. They not only derive large incomes from foreign tire plants, but their big investments in chemicals and in other non-auto fields are producing earnings which are offsetting the dip in original equipment sales.

Problems Concerning the Auto Industry

For 1956, the best that the auto-makers as a group can now hope for is a dip of 15% in output from the 1955 record—and the slide may well go beyond that percentage. This would make 1956 the third best car year in history. Retail deliveries in the first four months of this year have apparently not exceeded 2 million units. This figure is only slightly below the level of the same period of last year; but the outlook for the rest of this year is not as good as the results achieved during the last eight months of 1955. Hence new car sales may range between 6 million and 6.5 million. During the first four months of 1956, the industry accumulated a heavy inventory of cars and unless there is a sudden spurt in retail sales, production for the rest of this year will have to be restricted to assure liquidation of unsold stocks. The spring selling season is now too far advanced to expect a sudden miraculous disposal of unsold cars, such as has sometimes taken place in the past when a war scare appeared.

The problems facing the auto industry go beyond the overproduction of cars last year, which has left its mark on the retail market of 1956.

Truck, Auto Accessory and Tire & Rubber Companies

Auto Accessories					Tire Companies			
Eaton Mfg.	Electric Auto-Lite	Electric Storage Battery	Thompson Products	Timken Roller Bearing	Firestone Tire & Rubber	Goodrich (B. F.)	Goodyear Tire & Rubber	U. S. Rubber
....	$ 33.2	....	$ 13.8	....	$110.1	$ 49.6	$240.2	$155.5
....	....	....	$ 8.7	....	$ 5.6	....	....	$ 65.1
1,789	1,600	891	2,728	2,421	8,082	8,871	10,105	5,408
$ 3.5	$ 41.2	$ 9.1	$ 36.2	$ 25.0	$166.2	$138.3	$290.7	$247.6
$ 74.3	$ 95.7	$ 47.8	$ 66.0	$ 74.0	$314.3	$208.7	$324.7	$162.1
12/31/55	12/31/55	12/31/55	12/31/55	12/31/55	10/31/55	12/31/55	12/31/55	12/31/55
$218.1	$296.0	$ 90.7	$286.2	$196.0	$1,114.8	$755.0	$1,372.1	$925.5
$ 5.3	$ 7.1	$ 2.3	$ 6.5	$ 6.3	$ 32.0	$ 19.6	$ 32.8	$ 19.6
$ 15.4	$ 10.8	$ 2.4	$ 11.8	$ 27.6	$ 58.9	$ 48.3	$ 66.9	$ 42.4
....	$ 1.1	....	$ 1.0	....	$ 4.0	$ 1.6	$ 8.6	$ 4.3
$ 13.2	$ 10.1	$ 2.5	$ 11.0	$ 22.1	$ 55.0	$ 46.6	$ 59.6	$ 28.3
12.9%	7.1%	6.5%	8.4%	25.0%	10.1%	12.2%	9.6%	9.2%
6.0%	3.4%	2.8%	3.9%	11.2%	13.9%	6.1%	4.3%	3.6%
17.8%	9.7%	4.5%	12.8%	22.3%	14.9%	15.6%	15.8%	13.1%
$ 7.42	$ 6.31	$ 2.90	$ 4.03	$ 9.13	$ 6.82	$ 5.26	$ 5.90	$ 4.76
12/31/55	12/31/55	12/31/55	12/31/55	12/31/55	10/31/55	12/31/55	12/31/55	12/31/55
$ 8.2	$ 19.3	$ 6.7	$ 12.4	$ 14.5	$ 53.0	$ 85.5	$ 67.2	$ 51.4
$ 30.9	$ 50.1	$ 19.3	$ 54.0	$ 48.4	$211.5	$147.3	$303.1	$225.0
$ 23.8	$ 32.6	$ 12.4	$ 27.1	$ 14.7	$169.0	$117.7	$177.4	$130.3
$ 62.9	$103.2	$ 38.8	$ 93.5	$ 77.7	$433.6	$350.6	$547.9	$406.8
$ 34.3	$ 28.7	$ 7.2	$ 43.9	$ 17.3	$125.4	$109.4	$ 87.3	$147.0
$ 28.6	$ 74.5	$ 31.6	$ 49.6	$ 60.4	$308.2	$241.2	$460.6	$259.8
$ 44.5	$ 62.1	$ 27.0	$ 44.3	$ 39.9	$194.0	$138.2	$227.5	$149.3
$108.6	$165.7	$ 66.7	$146.1	$121.3	$635.4	$507.9	$785.7	$575.9
$ 4.60	$ 12.09	$ 7.52	$ 4.54	$ 6.01	$ 6.56	$ 9.64	$ 6.65	$ 9.50
1.8	3.6	5.3	2.1	4.5	3.4	3.2	6.2	2.7
14.1%	16.9%	21.3%	18.8%	24.7%	18.9%	19.5%	22.1%	24.3%
49.1%	48.6%	49.8%	57.8%	62.3%	48.7%	42.0%	55.3%	55.3%

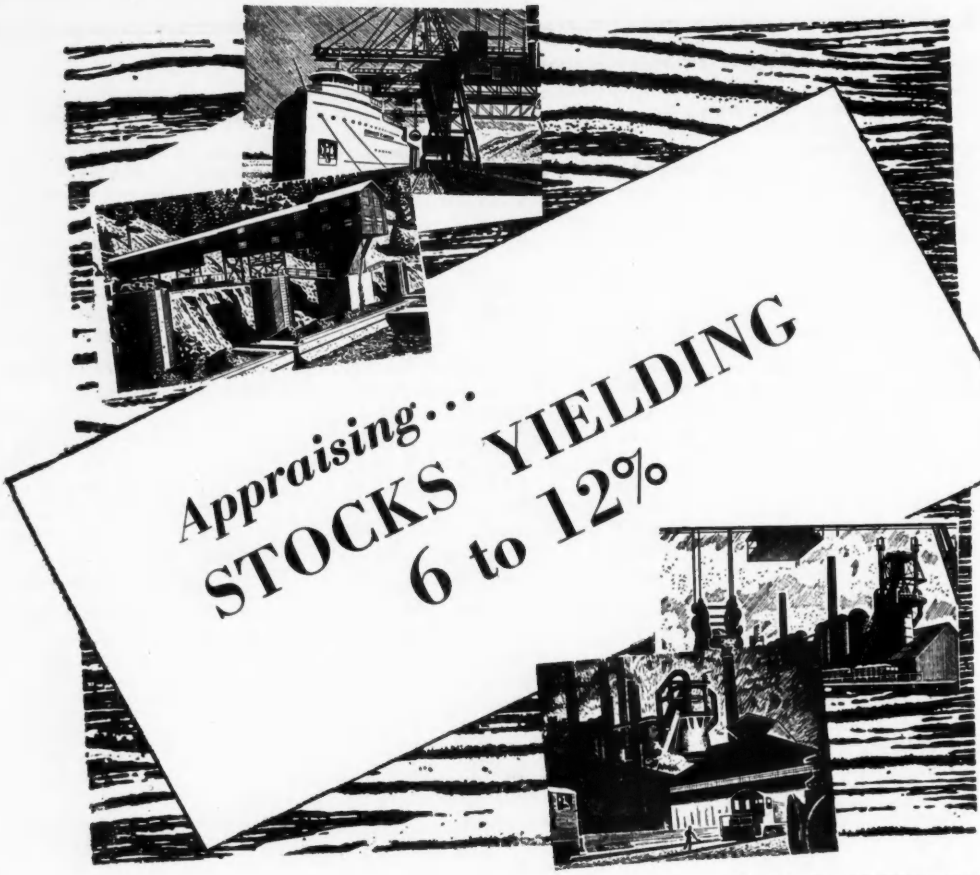
Here are the other major difficulties which stand between the auto industry and the setting of new production and sales records:

1. The auto-dealer body is actively discontented with its present operating results. Many dealers have made little or no profit during the last six or seven months. They have carried their troubles to Congress and will do so again if their outlook does not improve soon. Their political acumen and influence have been demonstrated, and are feared by the major car producers. This may mean a trend towards larger discounts for car dealers, which would almost certainly mean lower profits for makers. Even if an increase in discounts is avoided, it may be hard for the auto-makers to avoid another round of concessions to dealers, such as the General Motors offer early this year of free life insurance to dealers, 100% assumption by the factory of costs on new-car warranties and the taking over by the factory of a larger share of advertising costs.

The public in recent years has been spending a larger share of its income for new cars than it has ever done before. Last year, it spent 7% of its income for cars against a normal 5%. Apparently a reaction has set in against such free spending for new automobiles. Such a reaction could continue for a few months, or it could make itself felt for as long as two years, since most car purchases are postponable.

3. There is no assurance that the showing of new 1957 cars next fall will be greeted by the public with a sharp increase in demand such as was witnessed when the "all new" 1955 cars made their appearance in the Fall of 1954. The 1957 cars will represent, in most cases, a complete body change as was true of the 1955 models. But the change will be evolutionary rather than revolutionary and it remains to be seen whether such a spontaneous burst of buying can again be generated after a 1956 sales year in which new car deliveries will be only 15% lower than the all-time peak of 1955.

4. Another important obstacle to new production records during the next few years will be higher prices. Already, Harlow H. Curtice, president of General Motors, has (*Please turn to page* 250)



Appraising... STOCKS YIELDING 6 to 12%

By J. C. CLIFFORD

It is not unnatural that investors seeing yields on pivotal equities drop below 4% should cast about for stocks that offer a more substantial return if they do not retire from the market altogether. Inevitably, however, they come up against the nagging fear, in the sight of issues offering 6% to 12%, that they are sacrificing quality for quantity, risking loss of capital in their strong desire for a high yield and foregoing chances for capital gains through such commitments.

In a stock market that has enjoyed a prolonged rise, especially marked since 1953, investors are inclined (and properly so) to regard with suspicion issues that provide a dividend yield far in excess of what is considered a reasonable average for the groups to which they belong.

Investors with any experience worthy of the name have no difficulty in recalling that as recently as 1953, an issue such as United States Steel Corp. sold to yield 9%, compared with little more than 4% currently, the result of a strong upward surge in that issue. Hence, yields that are twice, and even three times, as great in this market hoist a signal that something is untoward. It is reasonable for the investor to ask why stocks, if they are basically sound, should be on the bargain counter today.

Too often, investors are attracted to issues that provide high yields without appreciating that the element of risk increases with the size of the yield. The reason for this is not difficult to fathom. The standard of stock value most commonly used is based on an evaluation of the dependability of earnings and dividends.

While allowances must be made, considering the economic order of things, for fluctuations in net profits, the solidity of the basic dividend rate looms as a primary consideration. Earnings coverage for the dividend, of course, is a determining factor. In the case of stocks with inordinately high yields, particularly, dividend coverage commonly will be found inadequate—the higher the yield the more inadequate the protection.

At the same time, sweeping generalizations intended to cover the case of more than 100 listed stocks, which yield from 6% to 12%, can lead to serious error. Thus, several companies in the tobacco field offer yields of better than 6%—companies with outstanding earnings and dividend records. These stocks have yet to recover substantially from the cancer-scare publicity, long rampant. But their business has held up remarkably well.

Also in the high-yield category are a few of the shipping lines, which almost invariably operate in the black. However, these companies are primarily dependent on Government subsidy and have only negligible appeal for those interested in growth. But there is no denying that they have maintained, in many instances, liberal dividends over the years.

In the accompanying table, we have cited 25 companies (actually, there are more than 100) offering yields ranging from 6% to 12%. Attention is called to comments accompanying the tabulations.

Stocks Yielding 6% to 12%

	1954		1955		1956				
	Earned Per Share	Div. Per Share	Earned Per Share	Div. Per Share	1st Quar. Earnings Per Share	Indicated Div. Per Share	Price Range 1955-56	Recent Price	Div. Yield
National Aviation	$ 1.21	$ 6.15	$ .98	$ 5.10	$ .20	$ 5.10[1]	46¼-33¼	41	12.4%
Chicago Milw. St. P. & Pac.	1.67	1.00	2.76	2.50	d 1.12[7]	2.50[1]	29⅝-15⅞	23	10.8
Great Northern Iron Ore	1.77	2.00	2.29	2.75		2.75[1]	37⅜-21⅛	31	8.8
Sheaffer (W. A.) Pen	2.64	2.00	2.50[3]	1.65	2.29[4]	1.80	36½-23	23	7.8
Continental Steel	3.98	2.00	6.03	3.00	1.45	3.00[1]	44⅞-25½	39	7.6
Hudson Bay Mining & Smelt.	4.75	4.00	7.52	5.00	2.60	5.25	72½-53⅛	69	7.6
Miami Copper	3.01	2.50	8.74	4.00		4.00[1]	60 -32¼	53	7.5
Green H. L.	2.99	2.25	3.06	2.25		2.25	33⅜-30½	31	7.2
Moore-McCormack Lines	2.42	1.50	2.81	1.50	.58	1.50	22 -18¼	21	7.1
Briggs Mfg. Co.	1.63	1.95[2]	2.38	1.50		1.60	24⅝-19	23	6.9
MacAndrews & Forbes Co.	3.00	3.00	3.22	3.00	.71	3.00	53½-43	43	6.9
Helme (Geo. W.) Co.	1.72	1.60	1.79	1.60	.43	1.70	26¼-22⅞	25	6.8
Rheem Mfg. Co.	3.67	2.30	3.10	2.40	.45	2.40[1]	37⅛-32¼	35	6.8

National Aviation Corp.: This large investment trust, with holdings concentrated in capital stocks of the aircraft industry and domestic airlines, should continue to benefit from heavy Federal spending for aircraft and guided missiles. Long-term capital gains and ordinary income this year somewhat better than early 1955.

Chicago, Milwaukee, St. Paul & Pacific Railroad: Financial condition strong. Outlook for 1956 is favorable. Freight rate increase calculated to return 5% additional revenues this year, when carloadings should increase. Passenger business helped by hauling Union Pacific transcontinental passenger trains between Chicago and Omaha.

Great Northern Iron Ore Properties: Iron ore shipments should be mainained at high volume in keeping with full-tilt operations of steel industry.

Sheaffer (W. A.) Pen: Sales hampered by sharp decline in export business. Quest for larger share of writing-instrument market entails large outlays. Intrenched position as quality producer points to more favorable results.

Continental Steel: Although steel scrap, one of its important raw materials, has increased sharply, the company has attained a high level of earnings. With the industry working full tilt, Continental should have another satisfactory year, with payout as high as 1955.

Hudson Bay Mining & Smelting: This is one of the more important metal producers of Canada. Properties yield a complex ore, including copper, zinc, silver, gold and a variety of rare metals. Has paid some dividend in each year since 1935.

Miami Copper: Considerable capital investment required to recover copper values in certain reserves. Company is dependent on high-level demand and high prices for copper. This is a relatively high-cost producer.

Green (H. L.): Conversion of scores of stores to semi-self-service should reduce overhead. Store additions also should contribute to improvement.

Moore-McCormack Lines: This well-managed steamship company services South American (mainly), the Baltic and other vital routes. Growing fleet augurs well for long term. Strong financial position. The $1.50 dividend paid last year should, at the least, be equaled in 1956, as earnings are in uptrend.

Briggs Manufacturing: Since the sale at the close of 1953 of its auto-body business to Chrysler, the company has operated solely as a producer of plumbing fixtures, a field in which it has been an important factor for more than twenty years. Sales of these products have climbed sharply in the period of transition.

MacAndrews & Forbes: Specialty company is major factor in imported licorice root and has stake in paperboard field. Also produces chemical for firefighting. Liberal dividend-payer has made some disbursement in each year since 1903.

Helme (Geo. W.) Co.: Old-line maker of snuff offers little growth potential, but earnings and dividend records are outstanding. Some dividend has been paid in each year since 1912.

Rheem Manufacturing: Dividend coverage is thin for this producer of steel containers. Lower disbursements are likely. Cost of diversification program is considerable.

1—1955 dividend rate.
2—Plus $32.263 par share partial liq. distr.
3—Estimated.
4—9 mos. Nov. 30, 1955.
5—9 mos. Jan. 31, 1956.
6—9 mos. Mar. 31, 1956.
7—2 mos. Feb. 28.

Stocks Yielding 6% to 12%—(Continued)

	1954		1955		1956				
	Earned Per Share	Div. Per Share	Earned Per Share	Div. Per Share	1st Quar. Earnings Per Share	Indicated Div. Per Share	Price Range 1955-56	Recent Price	Div. Yield
Philip Morris Inc.	2.85	3.00	3.63	3.00	.77[3]	3.00	48⅝-37⅛	44	6.8
Bliss & Laughlin Inc.	2.54	2.00	4.53	2.12½	1.27	2.50	38⅜-28⅛	37	6.7
Budd Co.	1.60	1.00	3.34	1.25	.87	1.40	23 -15⅝	21	6.6
Curtiss-Wright Corp.	2.50	1.00	4.74	1.75	......	2.20	34⅜-15¾	33	6.6
Reliable Stores	1.55	1.05	2.25	1.05	......	1.05[1]	19¼-14⅜	16	6.5
Gulf, Mobile & Ohio R. R.	4.86	2.00	5.75	2.50	......	2.50	44½-35⅜	38	6.5
American Agri. Chemical	7.27	4.50	7.01	4.50	1.82[6]	4.50[1]	91½-70	70	6.4
St. Louis-San Francisco Rwy.	2.46	2.50	4.17	1.50	.58	2.00	34⅞-25½	31	6.4
Sharon Steel	2.85	2.50	7.26	2.50	2.05	3.00	49⅞-33⅞	47	6.3
A.C.F. Industries	7.93	4.75	6.62	3.75	4.67[5]	4.00	71 -46⅝	63	6.3
American Tobacco	6.12	4.40	7.45	4.40	1.62	5.00	84⅛-62⅝	81	6.1
Kress (S. H.) & Co.	3.51	3.00	3.81	3.00	......	3.00	55½-47⅝	49	6.1

Philip Morris: This fourth largest of the tobacco companies has reversed the decline in earnings. Success of its Marlboro should play important role in continued upturn. Retention of the 75-cent quarterly rate for the stock appears assured.

Bliss & Laughlin: Steel fabricator has long record of uninterrupted earnings and a record of making some dividend payment in each year since 1939. Financial position is strong. Earnings in uptrend.

Budd Co.: 1956 results do not figure to be as good as last year, when company was helped by high-level operations in automobile field, to which it is a supplier. Sales of its newly-acquired Continental Diamond Fibre are satisfactory. Major benefits from its stainless steel passenger cars should not be expected this year. Dividend cover is ample.

Curtiss-Wright: This major factor in the aircraft industry has built its line of commercial products to an imposing level—50% or more of the whole is aim. Huge backlog of orders points to another good year and a payout at least as good as 1955.

Reliable Stores: Selling at a fraction of book value, this chain of retail furniture stores operates in East and South, has been improving its earnings situation. Generous yield should continue in 1956 on shares growing out of last year's stock split.

Gulf, Mobile & Ohio: This speculative rail has been bettering earnings. Dividend payout in relation to earnings is moderate. The stock is worth holding, although net may not equal 1955.

American Agricultural Chemical: While outlook is for increasing use of fertilizers, companies in this field probably will have to intensify efforts just to maintain sales and earnings around current levels. Strong finances, however, should enable company to maintain liberal payout despite slide in earnings.

St. Louis-San Francisco Railway: Frisco has some speculative appeal as result of plan to exchange the preferred. It could help the market for the common and even permit a small increase in the dividend. At all events, continued liberal yield appears likely, although 1956 earnings lag from year ago.

Sharon Steel: Earnings of this integrated steel producer long have been subject to sharp fluctuations. Continuance of near-capacity operations is indicated and the 1955 showing may be equaled. Even larger payout than 1955 is likely.

A. C. F. Industries: This old-line builder of rail equipment has led the move in its field toward diversification. The traditional business is at high levels, with the company hobbled, however, by lack of ample steel supplies. Continued high-level payout this year is likely.

American Tobacco: This leader of the tobacco industry is a prime investment. Record of earnings and dividends is outstanding. Dividend total this year should be $5, a rise from 1955.

Kress (S. H.): This operator of a vast chain of variety stores was hampered last year by enlargement, renovation and rebuilding of a number of major units. Company, nevertheless, managed to improve net. This fourth largest of the variety chains has a record of paying some dividend in each year since 1918.

1—1955 dividend rate.
2—Plus $32.263 per share partial liq. distr.
3—Estimated.
4—9 mos. Nov. 30, 1955.
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THE EDITORS'
INVESTMENT CLINIC

Case No. 21

Monthly Investment Plan

One does not have to be beyond middle age to recall a time when the "small fry" investors, as they were sneeringly called, were easy prey to get-rich-quick schemes that entailed buying obscure stocks on margin. The new generation of investors, possessing moderate means, is a different breed.

The investment community has come to recognize that the small investor is a Very Important Person. Of this recognition was born the Monthly Investment Plan, first offered to the public in January, 1954. For some years prior to its introduction, the New York Stock Exchange had received queries from thrifty folk looking for a way to buy stocks regularly on a budget plan. This led to the system whereby a person is enabled to buy common stocks regularly if the purchaser can put up as little as $40 every three months.

The plan makes available to these people a system hitherto employed only by people who made investing a business. Known as "dollar-averaging," it has a built-in safety factor that provides stock owners with an extra measure of protection if they follow the method for a reasonable period of time. An advantage of this method is that investors are freed from the necessity of guessing favorable buying points and it is, therefore, likely that the average price of the accumulated shares through regular periodic purchases over the years will be lower than that paid by sporadic purchases at irregular intervals.

In the two years of its existence, 58,200 M. I. P. programs were started and 38,200 were in effect at the end of the second year.

Most of the 20,000 discontinued programs either had been written on a one-year basis or the investors had abandoned them in favor of regular brokerage accounts.

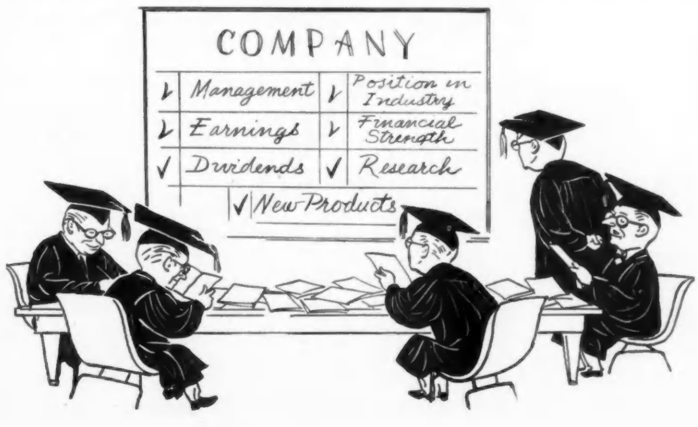
As for their tastes in stocks, they run from medium- to higher-priced issues. Three most popular are General Electric, Radio Corp. of America and General Motors. From an industrial standpoint, they showed strong preference for (in this order) chemicals, utilities, electrical equipments, petroleum, natural gas and automotive. Incidentally, each of the 50 most popular stocks bought by instalment investors showed a price rise over the two-year span.

It remains to be seen, of course, how popular the Monthly Investment Plan will become. In the short span of its life it has done amazingly well, despite the fact that relatively few brokerage concerns have sought to spread the idea.

It could be of prime importance in uncovering an entire market of "virgin" buyers of stocks. Its handling by those firms that have sought to do an important job of merchandising in this field has been laudable. This is reflected, for one thing, in the type of issues that have gained favor with that portion of the public unfamiliar with the investment community.

Continued growth of this kind of equity buying could have important implications for the longer term. For it is a fact that never before in the history of this country has the so-called "small fry" investor entered the marketplace to any appreciable extent with the idea of buying high-quality issues.

The pattern of the past has been for the promoters to seek to unload on the unknowing stocks of little worth. This has left a bad taste in the mouth of the public. The constructive selling now being undertaken could go a long way to right that situation.



Finally, the spread of stock ownership from the present level of less than 5% of the populace should have important economic, political and social implications.

This is of utmost importance at a time when corporations need about $6 billion in new equity money each year to finance sound growth.

—END

FOR PROFIT AND INCOME

May Pattern

On balance, bulls had little to cheer about in April, although rails came through with the best performance in some time. Since inception of the Dow averages in 1897, April net declines by both averages have been slightly more numerous than net gains; but not sufficiently so to establish any semblance of a seasonal pattern. The same has been so of May, although historical performance has been a bit better than in April, with the month's advances and declines exactly balanced in numbers in the case of both averages. The traditional "summer rise"—or rally—has started in May at times, in June, or even later, at other times. The highest July or August levels have been above May closing levels in a preponderant majority of years. That fact is nothing to tie to in either investment or speculative policy. Nobody can guess the start or scope of intermediate market swings in the summer season—or any other season.

Groups

Stock groups performing better than the general market at this writing include rails, aluminum, liquor, soft drinks, drugs, meat-packers, machinery, oils, office equipment, rail equipment and tobaccos. Previously strong groups which have reacted more than the market in recent days include aircrafts, chemicals, coppers, electrical equipments and tires. Groups which have been under pressure for some time and still are softer at present are agricultural equipment, automobiles, baking, radio-television, department-store and most other types of retail stocks, and textiles.

Strong Stocks

Individual stocks currently showing special strength include: American Home Products, Eaton Manufacturing, Greyhound, Gulf Oil, Illinois Central, International Salt, Kansas City Southern, Baltimore & Ohio, Western Pacific, Union Tank Car, McGraw-Hill, Reynolds Tobacco, Simmons, Timken Roller Bearing, U. S. Industries, National Container, Norfolk & Western, Pitney-Bowes, Air Reduction, Black & Decker, Pepsi-Cola, Phillips Petroleum, Carpenter Steel, Champion Paper, Chesapeake & Ohio, Granite City Steel, Idaho Power, Great Northern Paper, Vanadium, National Air Lines and Otis Elevator.

Weak

Among the long list of issues performing poorly are: Aldens, Allied Stores, American Viscose, Artloom, Beaunit Mills, Bath Iron Works, Case, Celanese, Cone Mills, Mercantile Stores, Penney, Sears, Stevens, Republic Aviation, Columbia Pictures, Daystrom, Chrysler, Deere, Electric Auto Lite, Emerson Radio, Green, Kresge, Lehigh Portland Cement, American Seating, American Safety Razor, Westinghouse Electric, Carrier, Bell Aircraft, Continental Baking, General Precision Equipment, Commercial Credit, International Silver and New York Shipbuilding.

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1956	1955
Black & Decker	6 mos. Mar. 25	$2.44	$1.85
New York Air Brake	Quar. Mar. 31	.82	.54
Blaw-Knox Co.	Quar. Mar. 31	.90	.09
Owens-Illinois Glass	12 mos. Mar. 31	4.39	3.89
Southern Natural Gas	12 mos. Mar. 31	2.70	1.78
Delaware & Hudson Co.	Quar. Mar. 31	3.64	2.38
Ohio Edison Co.	12 mos. Mar. 31	2.06	1.25
United States Lines	Quar. Mar. 31	1.00	.50
Westinghouse Air Brake	Quar. Mar. 31	.61	.36
American Gas & Electric	12 mos. Mar. 31	3.06	2.65

Defensive

Regardless of what the market may do over the near or medium term, few stocks of above-average basic merit remain sufficiently attractive at present levels to permit us to make new buying recommendations here with much confidence. Many issues that we would otherwise like are fairly high on 1956 earnings and dividends, and some appear extremely high. On average, price-earnings ratios of better-grade stocks remain materially less extreme than were those at past major market tops. But current yields—especially of industrials—and their ratio to bond yields are suggestive of a top area in the market, regardless of what the exact peak might prove to be or when it might be recorded. You should now be less concerned with possible market profits and more concerned with keeping what you have. A defensive program requires increasing the portion of portfolio funds lodged in high-grade bonds and preferred stocks, for they are at the lowest levels in some time and any possible further decline in their prices figures to be small as compared with coming eventual cyclical decline in the stock market. Income stocks which rate consideration in defensive strategy could well include selected issues among electric utilities, drugs, confectionery, small-loan stocks, natural gas issues, bank stocks, packaged foods and cigarette stocks.

Yield

It is fortunate, at least for brokers, that few people buy stocks primarily for income. If more were interested in investment yield, tax-exempt municipal bonds would not be selling at the lowest level in some years. In many instances, new issues of municipals are being offered at yields around 3% or more. For an unmarried investor in the $6,000-$8,000 tax bracket, that about equals the present "take-home" return offered, on average, by the 30 stocks in the Dow industrial average. To equal a 3% net yield requires a 6.82% gross yield at the $20,000-$22,000 level of taxable income; taxable yield of 10.71% at $44,000-$50,000 of taxable income; taxable yield of 23.1% at the $90,000-$100,000 bracket; and taxable yield of 33.33% at maximum tax bracket of $200,000 or more. In the case even of a joint return, where taxable income is $100,000, it takes taxable yield of 10.71% to equal tax-exempt yield of 3%. This is why wealthy investors have a choice of buying tax-exempt bonds or of trying primarily for capital gain in a market in which potentials for profiting have been drastically reduced and risks largely increased. Even those in medium or medium-low tax brackets might well weigh the question of "take-home" investment income; and the risk of capital shrinkage ahead in most common stocks—the only question being how soon—against that in tax-exempt bonds. The latter might recede moderately further in the present tight-money market, but on a basic perspective, they are at deflated levels, and the stock market is at an inflated level.

Winners

As stated before, it has for some time been getting harder to find sensible common stock "Buys" in this market. But there have been some exceptions, and no doubt there will be others. It will usually pay off to look for stocks with sharply improved earnings which have not been too greatly discounted. Using that guide, speculative possibilities in Vanadium Corp. were recently pointed out here when the stock was around 47. It is around 54 at this writing, to that extent quite a bit less cheap but still reasonably priced and possibly subject to at least moderate further rise. Estimated "around $1.50" a share by the management, first-quarter earnings were about 70% higher than a year ago. They seem likely to maintain a full-year pace pretty much in line with that of the first quarter, if there is no steel strike. . . . National Distillers, another very recent recommendation here, at 23, has started to move. First-quarter earnings were 54 cents a share, against 34 cents a year ago, a gain of over 58%. The story is not liquor but increasing profitability of the company's chemical division. Around 26 as this is written, the stock could have a substantial further rise over a period of time.

Tobaccos

Our earlier recommendations on Reynolds Tobacco and American Tobacco are working out satisfactorily in both income return and appreciation – although the latter is not spectacular and was not expected to be. Figures for February, the latest available, showed gains from a year ago in production and indicated consumption of cigarettes for the fifth consecutive month. First-quarter profit of Reynolds rose to $1.28 a share, from $1.07 a year ago. The dividend recently was raised to a $3.20 rate from $2.80 previously. Now at 57½, a new 1956 high, yielding 5.5%, the stock remains a good holding and could get to 60 or a little more. American Tobacco earned $1.62 a share in the first quarter, against $1.31 a year ago. Full-year profit may substantially exceed $8 a share, against 1955's $7.45. Dividends are on an indicated $5 basis, including a $1 extra paid in March and likely to be repeated in the forepart of next year. Yield is 6.1% at present price of 82; and attainment of a price around 90 or more would seem reasonably justified.

Rayon Stocks

Any important change for the worse in prospective earnings will, of course, bring on bear markets for the stocks affected, regardless of the general market trend. Rayon stocks are a case in

(*Please turn to page* 257)

DECREASES SHOWN IN RECENT EARNINGS REPORTS

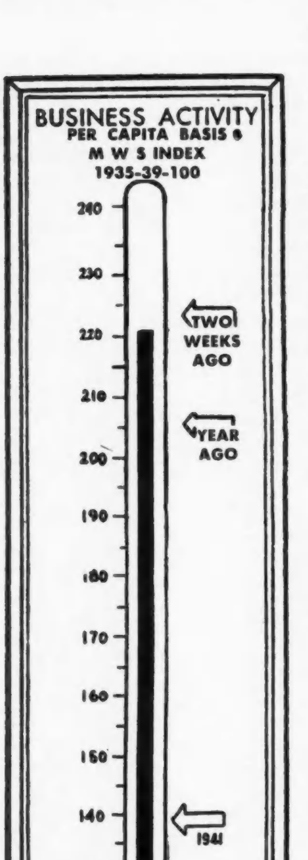
		1956	1955
American Seating	Quar. Mar. 31	$ .23	$ .42
Cream of Wheat Corp.	12 mos. Mar. 31	1.93	2.13
Monsanto Chemical Co.	Quar. Mar. 31	.54	.67
Underwood Corp.	Quar. Mar. 31	.20	.58
Conde Nast Publishing	Quar. Mar. 31	.26	.40
Douglas Aircraft Co.	Quar. Feb. 29	1.38	1.92
Seagrave Corp.	Quar. Mar. 31	.02	.28
Marquette Cement Mfg.	Quar. Mar. 31	.17	.25
Beech Aircraft	6 mos. Mar. 31	1.63	2.48
Mac Andrews & Forbes Co.	Quar. Mar. 31	.71	1.01

The Business Analyst

WHAT'S AHEAD FOR BUSINESS?

By E. K. A.

The Communists, retaining the initiative in the so-called cold war, have shifted the major emphasis to trade. The impact on American business could be substantial. Newly-independent lands of the Middle East and Asia, whose trade traditionally has been with the sterling bloc and other areas of the West, are developing trade ties with the Soviet bloc of nations.



This development, which is of prime significance in the drawn-out struggle between the Free World and the Communists, comes at a time when anti-import sentiment in this country has attracted new converts. As an example, in the South, where "freer trade" exponents long have held sway in a cotton economy that needed foreign markets, the clamor for import restrictions has taken on some of the aspects of a boycott.

In South Carolina and Alabama legislation has been adopted aimed at discouraging sale of Japanese textiles. These laws, put over by Southern textile companies, force storekeepers handling such merchandise to post signs stating that they sell Japanese wares.

Not so long ago, the British were low bidders for electrical equipment to be supplied to a utility project in this country, but were denied the contract.

Needless to say, the Japanese, British and other allies of this country have been embittered by our reluctance to encourage an expansion of trade. At the same time, they are being wooed by the totalitarian bloc of nations, which claims to be ready to buy their raw materials and manufactures. This country has sought to discourage any appreciable expansion of trade between its allies and the Communist array of nations.

It is difficult to see how American business can expand trade among the free lands and keep the enemy grouping from developing markets hitherto within the orbit of the Free World, especially in the light of growing sentiment here against imported goods. Nor is this sentiment confined to Southern textile manufacturers, for opposition has grown to the Administration-supported bill for American membership in the proposed Organization for Trade Cooperation. House Democrats, largely from the South, have been joined by numerous "high tariff" Republicans. Wool manufacturers, in another instance, have readied a drive to get the tariff on imported wool fabrics raised to 45% from 25%. Other industries, notably the watch-making field, seek "defense essentiality" classification in order to have quotas imposed on competing imports.

In store for such businesses, however, may be a stiffening attitude on the part of the Government, prompted by the State Department, which fears that we will not be able to vie with the Red bloc in trade competition if we cloak ourselves in high tariffs and import quotas.

The entire problem is certain to come into sharp focus in the weeks ahead, largely as a result of the visit by top Soviet leaders to Britain, where they sought to hold out hope for a sharp rise in trade between those two countries. Trade between the London and Moscow governments has gain significantly in the past couple of years. The Soviet chieftains have made no bones about the fact that it could be increased immeasurably if Britain were prepared to cease her adherence to the strategic controls set up at the behest of the United States to keep the Russians from improving their war potential.

There is more involved here than mere swapping of machinery and ships for timber and furs. The goal of the Soviet leaders is to draw Britain into the Communist trade orbit, with all the disclocations to business in the Free World sphere that such a radical departure would imply.

Americans may have to recast their thinking to cope with this vital problem.

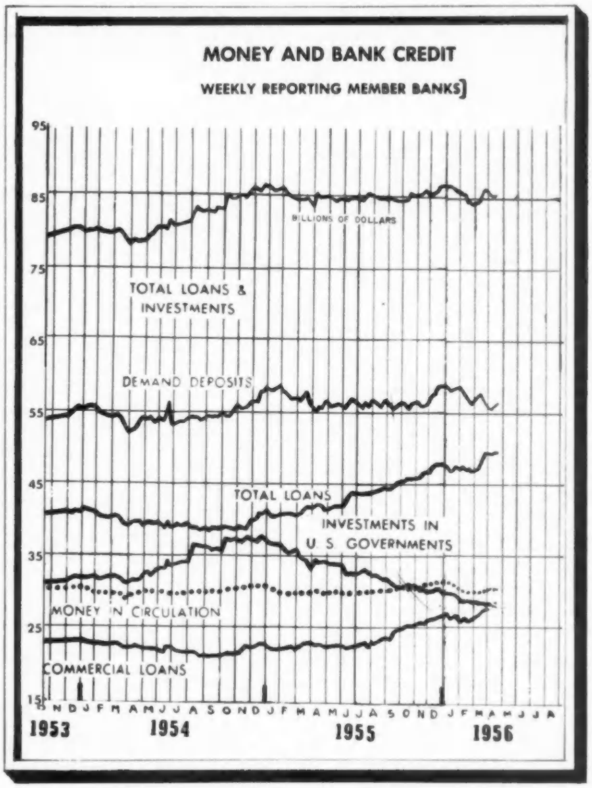
The Business Analyst

HIGHLIGHTS

MONEY & CREDIT—Treasury bonds, the bellwethers of trends for fixed income securities, followed an expected pattern in the wake of the Federal Reserve's action to tighten money rates. Frightened selling in the wake of the increase in the rediscount rate was absorbed quickly, followed by gradual recovery as bargain-hunters came out in force. Thus the representative 3¼s of 1983-1978, for instance, reached their low to date, on April 17, three trading days after announcement of the increase in the Central Bank's lending rate and ⅞ point under prices prevailing on the eve of that announcement. Recovery since that date has been gradual and by month-end the issue had recovered ⅝ point, while other Federal obligations have followed a similar course.

Seasoned corporate and municipal bonds have not displayed the recuperative powers of Treasury bonds, but they did achieve a measure of stability after the first rush of liquidation had been spent. In the new issue market, investor hesitancy was overcome by the quick success of the April 25 offering of $30 million of Wisconsin Electric Power first mortgage bonds. Priced to yield a tempting 3.77%, the issue attracted immediate investor interest and was a quick sell-out, as buyers vied for the good return available on an issue of this quality. The unsatisfied demand turned to the unsold portion of the Southern California Edison bond issue which had been hanging fire since April 18 and the underwriters were able to announce a successful completion of that offering. In the municipal field, borrowers had a similar experience. The touchstone here was the $50 million Ohio construction issue, which was offered to an apprehensive market on April 25. With the selling agency agreeing to the 3.093% interest cost of the sole bidder, investors eagerly gobbled up the tax-exempt issue, which appeared to be underpriced by any standard.

The secret of the success of these recent flotations appears to have been two-fold. On the one hand, yields were liberal, topping the return on seasoned issues by a good margin and approaching the high rates available in the money squeeze of 1953. Moreover, signs that the economy may not have clear sailing right through the year have not been lost on the financial community. The prospect of further contraction in auto output, continued slowness of housing demand and indications of inventory overstocking have induced some investors to switch to the comparative safety of fixed income securities. If these indicators portend business contraction in the offing, a reversal of current tight money conditions could occur much sooner than generally expected.



INDUSTRY—The latest report of the National Association of Purchasing Agents brings out the increasingly divergent trends operating in the economy. In production, for instance, both increases and decreases were more numerous in April than in the preceding month. New orders were still holding up well with 36% reporting improvement versus 19% receiving a reduced inflow of orders. Executives were well-nigh unanimous on one thing and that was higher prices in April as compared to March. That this situation can change very quickly, however, is evidenced by the sudden weakness in copper late in the month.

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TRADE—Retail sales eased a bit, late in April, according to estimates by Dun & Bradstreet, but were still slightly ahead of a year ago. For the week ending Wednesday, April 25, the agency puts these sales about 3% ahead of the corresponding 1955 period. The eastern states made the best showing with a 6% gain. Clearance sales helped women's apparel stores to rack up improved dollar volume. Demand for major appliances seemed to lag but hardware and outdoor furniture showed improvements.

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COMMODITIES—The Bureau of Labor Statistics' index of spot prices of 22 leading commodities eased a bit in the two weeks ending April 27. The drop was 0.2% and the indicator closed at 91.8% of the 1947-1949 average. Weakness was pronounced in metals and industrial raw materials. The former dropped 3.6% and the latter was down 2.1%. Textiles and fibers were off 0.7%. Other components improved with raw foods adding 2.5%, livestock up 1.8% and fats and oils, 6.0% higher.

(Please turn to following page)

Essential Statistics

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
MILITARY EXPENDITURES—$b (e)	Apr.	3.2	3.1	3.4	1.6
Cumulative from mid-1940	Apr.	621.2	618.0	581.2	13.8
FEDERAL GROSS DEBT—$b	Apr. 24	276.0	276.0	277.0	55.2
MONEY SUPPLY—$b					
Demand Deposits—94 Centers	Apr. 18	56.7	56.2	56.6	26.1
Currency in Circulation	Apr. 25	30.2	30.3	29.7	10.7
BANK DEBITS—(rb)**					
New York City—$b	Mar.	69.1	63.8	63.4	16.1
343 Other Centers—$b	Mar.	110.0	102.3	105.4	29.0
PERSONAL INCOME—$b (cd2)	Feb.	313.1	312.7	293.2	102
Salaries and Wages	Feb.	216	216	200	99
Proprietors' Incomes	Feb.	50	49	49	23
Interest and Dividends	Feb.	28	28	25	10
Transfer Payments	Feb.	18	18	17	10
(INCOME FROM AGRICULTURE)	Feb.	14	14	16	3
POPULATION—m (e) (cb)	Mar.	167.2	167.0	164.4	133.8
Non-Institutional, Age 14 & Over	Mar.	118.3	118.2	117.1	101.8
Civilian Labor Force	Mar.	65.9	65.5	63.7	55.6
Armed Forces	Mar.	2.9	2.9	3.1	1.6
unemployed	Mar.	2.8	2.9	3.2	3.8
Employed	Mar.	63.1	62.6	60.5	51.8
In Agriculture	Mar.	5.7	5.5	5.7	8.0
Non-Farm	Mar.	57.4	57.1	54.8	43.2
Weekly Hours	Mar.	40.7	40.4	41.3	42.0
EMPLOYEES, Non-Farm—m (b)	Mar.	49.8	49.5	48.2	37.5
Government	Mar.	7.1	7.1	6.9	4.8
Trade	Mar.	10.8	10.7	10.4	7.9
Factory	Mar.	13.2	13.2	12.8	11.7
Weekly Hours	Mar.	40.3	40.5	40.6	40.4
Hourly Wage ($)	Mar.	1.95	1.93	1.85	0.66
Weekly Wage ($)	Mar.	78.59	78.17	75.11	21.33
PRICES—Wholesale (lb2)	Apr. 24	113.7	113.5	110.5	66.9
Retail (cd)	Feb.	207.5	207.6	207.5	116.2
COST OF LIVING (lb2)	Mar.	114.7	114.6	114.3	65.9
Food	Mar.	109.0	108.8	110.8	65.9
Clothing	Mar.	104.8	104.6	103.2	59.5
Rent	Mar.	131.6	131.5	130.0	89.7
RETAIL TRADE—$b**					
Retail Store sales (cd)	Feb.	15.3	15.7	14.8	4.7
Durable Goods	Feb.	5.4	5.5	5.2	1.1
Non-Durable Goods	Feb.	10.0	10.2	10.0	3.6
Dep't Store Sales (mrb)	Feb.	0.89	0.94	0.86	0.34
Consumer Credit, End Mo. (rb)	Feb.	35.3	35.6	29.5	9.0
MANUFACTURERS'					
New Orders—$b (cd) Total**	Feb.	27.8	28.1	24.8	14.6
Durable Goods	Feb.	14.3	14.7	12.2	7.1
Non-Durable Goods	Feb.	13.5	13.4	12.7	7.5
Shipments—$b (cd)—Totals**	Feb.	26.5	26.4	24.6	8.3
Durable Goods	Feb.	13.3	13.1	12.0	4.1
Non-Durable Goods	Feb.	13.2	13.3	12.6	4.2
BUSINESS INVENTORIES, End Mo.**					
Total—$b (cd)	Feb.	83.5	82.8	77.3	28.6
Manufacturers'	Feb.	46.8	46.3	43.3	16.4
Wholesalers'	Feb.	12.5	12.4	11.7	4.1
Retailers'	Feb.	24.2	24.1	22.4	8.1
Dept. Store Stocks (mrb)	Feb.	2.7	2.7	2.5	1.1
BUSINESS ACTIVITY—1—pc	Apr. 21	220.7	220.9	206.4	141.8
(M. W. S.)—1—np	Apr. 21	283.5	283.8	260.9	146.5

PRESENT POSITION AND OUTLOOK

(Continued from page 239)

The nation's **OUTPUT OF GOODS AND SERVICES** rose again in the first quarter, although the pace of the advance slowed to a crawl. Estimated at $399.0 billion at annual rates, in the first three months, this indicator was $1.7 billion higher than the previous quarter, the entire advance being accounted for by higher prices. Strongest component in the latest period was personal consumption expenditure with a $2.2 billion gain. Increases here were in outlays for non-durables and services while hardgoods demand fell by $700 million. Private domestic investment receded by $800 million. In this category, the rate of accumulation of business inventories was $1.3 billion lower than in the previous quarter. New construction was off by $700 million while producers' purchases of durable equipment rose by $1.3 billion. Government outlays were up $200 million as the result of bigger spending by state and local governments.

* * *

New orders for **MACHINE TOOLS** rose to $95.4 million in March from $86.1 million the previous month. Shipments were substantially higher at $74.2 million, the highest monthly total in almost two years and well ahead of February's $64.6 million. With output at $74.6 million in March, it would have taken 8.6 months to complete all orders on the books at the end of the month. This compares with 8.5 months for orders on the books at the end of February and 4.4 months in March, 1955, at then-prevailing output rates of $71.4 million a month.

* * *

BUSINESS FAILURES rose by 14% in March as 1,170 firms closed their doors. The rate of failure per 10,000 enterprises listed in the Dun & Bradstreet Reference Book reached 46 from 44 the previous month and 41 a year ago. The March, 1956 failure rate was the highest since early 1941 when the index stood at 61. **LIABILITIES** of failing firms were down in March, amounting to $42.6 million, which was 13% under February. The decline reflected decreased failures among concerns with liabilities over $100,000, while casualties among smaller firms continued to multiply. Failures were higher among all industrial groups with construction and

and Trends

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
INDUSTRIAL PROD.-la np (rb)	Mar.	142	143	135	93
Mining	Mar.	131	131	121	87
Durable Goods Mfr.	Mar.	157	158	150	88
Non-Durable Goods Mfr.	Mar.	129	129	123	89
CARLOADINGS—t—Total	Apr. 21	763	742	706	933
Misc. Freight	Apr. 21	389	380	371	379
Mdse. L. C. L.	Apr. 21	61	62	61	66
Grain	Apr. 21	50	50	46	43
ELEC. POWER Output (Kw.H.) m	Apr. 21	10,894	10,918	9,697	3,266
SOFT COAL, Prod. (st) m	Apr. 21	9.9	10.1	8.5	10.8
Cumulative from Jan. 1	Apr. 21	158.7	148.8	135.5	44.6
Stocks, End Mo.	Feb.	65.3	65.8	63.8	61.8
PETEROLEUM—(bbls.) m					
Crude Output, Daily	Apr. 20	7.1	7.2	6.8	4.1
Gasoline Stocks	Apr. 20	193	195	180	86
Fuel Oil Stocks	Apr. 20	33	33	45	94
Heating Oil Stocks	Apr. 20	62	61	66	55
LUMBER, Prod.—(bd. ft.) m	Apr. 21	256	249	257	632
Stocks, End Mo. (bd. ft.) b	Feb.	8.7	8.7	9.2	7.9
STEEL INGOT PROD. (st) m	Mar.	10.9	10.1	10.0	7.0
Cumulative from Jan. 1	Mar.	31.9	21.0	27.3	74.7
ENGINEERING CONSTRUCTION AWARDS—$m (en)	Apr. 26	526	536	459	94
Cumulative from Jan. 1	Apr. 26	7,621	7,096	5,816	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	Apr. 21	242	248	235	165
Cigarettes, Domestic Sales—b	Feb.	31	34	28	17
Do., Cigars—m	Feb.	505	453	438	543
Do., Manufactured Tobacco (lbs.)m	Feb.	15	16	15	28

PRESENT POSITION AND OUTLOOK

commercial services suffering the biggest increase.

* * *

RAYON producers shipped 101.7 million pounds of their product to consumers in March, a 4% drop from February and well under the 123.0 million pounds delivered a year ago. Output in March came to 109.0 million pounds, up from 104.8 million the previous month. With production topping shipments, stocks in the hands of manufacturers rose to 89.6 million pounds on March 31, from 82.3 million pounds the previous month and 83.2 million pounds a year ago. Competition in the industry is keen, the latest development being a general reduction in the price of rayons used in auto tires.

* * *

CORPORATE NET WORKING CAPITAL rose by $7.8 billion in 1955 to reach $103.6 billion. Current assets increased by $19.4 billion and current liabilities were up $11.5 billion. Corporate liquidity, as measured by the ratio of cash and U.S. government securities to current liabilities, was down slightly, to 54%, from 56% at the end of 1954.

b—Billions. cb—Census Bureau. cd—Commerce Dept. cd2—Commerce Dept., seasonally adjusted monthly totals at annual rate, before taxes. cdlb—Commerce Dept. (1935-9—100), using Labor Bureau and other data. e—Estimated. en—Engineering News-Record. l—Seasonally adjusted index (1935-9—100). la—Seasonally adj. index (1947-9—100). lb—Labor Bureau. lb2—Labor Bureau (1947-9—100). lb3—Labor Bureau (1935-9—100). lt—Long tons. m—Millions. mpt—At mills, publishers and in transit. mrb—Magazine of Wall Street, using Federal Reserve Board Data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb3—Federal Reserve Bank of N. Y.—1941 data is for 274 centers. st—short tons. t—Thousands. *—1941; November, or week ended December 6. **—Seasonally adjusted.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

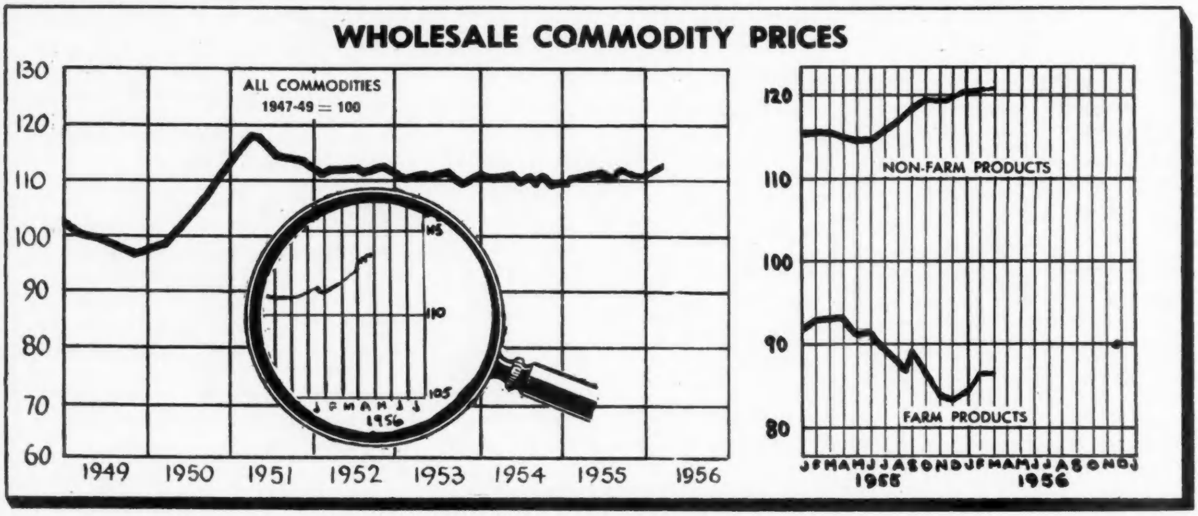
No. of Issues (1925 Cl.—100)	1955-56 Range High	Low	1956 Apr. 20	1956 Apr. 27
300 Combined Average	349.1	282.0	346.2	348.9
4 Agricultural Implements	348.7	261.7	268.2	261.7L
3 Air Cond. ('53 Cl.—100)	116.0	87.0	109.8	109.8
9 Aircraft ('27 Cl.—100)	1205.5	871.7	1136.4	1172.3
7 Airlines ('27 Cl.—100)	1263.6	971.2	1013.0	1033.9
4 Aluminum ('53 Cl.—100)	496.3	191.1	448.2	496.3H
6 Amusements	180.6	147.0	164.4	167.6
9 Automobile Accessories	373.7	308.3	373.7	373.7
6 Automobiles	55.8	44.3	51.2	50.7
4 Baking ('26 Cl.—100)	30.6	27.8	28.1	27.8
3 Business Machines	1019.3	657.4	1010.3	1010.3
6 Chemicals	652.3	466.6	634.3	640.3
4 Coal Mining	23.5	14.8	21.8	22.3
4 Communications	116.6	100.7	109.1	110.1
9 Construction	136.4	106.4	131.6	132.8
7 Containers	807.9	675.1	777.4	792.7
7 Copper Mining	361.3	222.2	334.4	334.4
2 Dairy Products	127.0	111.7	116.4	115.2
6 Department Stores	100.2	80.0	88.1	89.0
5 Drugs-Eth. ('53 Cl.—100)	198.3	129.6	198.3	189.5
6 Elec. Eqp. ('53 Cl.—100)	209.9	151.3	208.1	204.4
2 Finance Companies	651.1	565.1	566.0	572.0
6 Food Brands	301.6	256.2	295.7	298.7
3 Food Stores	175.3	137.7	173.7	175.3H

(Nov. 14, 1936 Cl.—100)	High	Low	1956 Apr. 20	1956 Apr. 27
100 High Priced Stocks	237.6	180.6	235.2	236.8
100 Low Priced Stocks	411.1	343.5	405.1	409.7
4 Gold Mining	882.7	649.1	823.4	786.3
4 Investment Trusts	166.5	140.8	166.5	166.5
3 Liquor ('27 Cl.—100)	1155.7	961.3	1035.6	1055.9
9 Machinery	443.7	317.7	428.2	443.7H
3 Mail Order	234.1	159.3	204.1	201.9
4 Meat Packing	170.7	112.8	149.2	170.7H
5 Metal Fabr. ('53 Cl.—100)	209.4	155.9	207.6	207.6
10 Metals, Miscellaneous	464.9	358.2	456.3	464.9
4 Paper	1249.3	767.1	1249.3	1228.3
22 Petroleum	837.7	590.0	816.9	830.8
21 Public Utilities	261.5	234.8	253.9	253.9
7 Railroad Equipment	93.3	73.4	90.6	93.3
20 Railroads	82.0	64.7	80.5	82.0H
3 Soft Drinks	565.7	459.9	528.9	534.2
12 Steel & Iron	336.9	219.2	336.9	333.7
4 Sugar	68.8	56.1	65.6	66.2
2 Sulphur	964.0	813.2	913.7	877.2
11 Television ('27 Cl.—100)	47.3	40.1	41.9	41.4
5 Textiles	188.9	148.4	169.6	166.0
3 Tires & Rubber	201.0	137.8	193.7	191.8
5 Tobacco	96.7	81.9	94.8	96.7H
2 Variety Stores	315.0	286.9	295.9	293.0
15 Unclassif'd ('49 Cl.—100)	158.1	141.9	155.3	155.3

H—New High for 1955-1956. L—New Low for 1955-1956.

Trend of Commodities

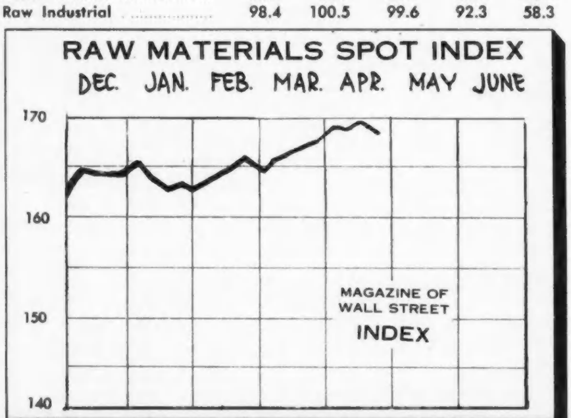
Domestic futures markets were generally strong in the two weeks ending May 1, although decidedly mixed trends were evident in some markets. Thus nearby May wheat for instance, lost 4½ cents during the period while the September option added 3½ cents. Weakness in the nearby reflected hedging operations between Chicago and the cheaper Kansas City markets, plus improvement in the current supply situation. New crop options benefited from improved prospects for passage of soil bank legislation. Wheat exports have been steady, remaining close to last year's moderate levels. Growing conditions are still touch-and-go with increased precipitation countered by unseasonal heat. September corn advanced 7¼ cents in the two weeks ending May 1 to close at 158¼, a new high for the life of the option. Corn stocks are high but a large portion is under Government control. Consumption has picked up, with disappearance in the first quarter at 768 million bushels, versus 692 million in the corresponding 1955 period. Vegetable oils and lard have been especially strong of late. Soybeans were a feature on the upside and the September bean option spurted 29 cents in the two weeks ending May 1 to close at 287¼. Soybean demand derives from the strength in oils, where heavy export demand has been whittling down the supply. Soybeans also benefited from Washington reports, indicating a possible rise in corn plantings. This would prevent diversion of acreage to soybeans, it was noted. The advance in vegetable oils and fats has come after several years of low prices for these commodities. The Bureau of Labor Statistics' index of vegetable oils and fats is still only 72.3% of the 1947-1949 average, although up from the 66.1% level of a year ago.



U. S. DEPARTMENT OF LABOR INDEX OF 22 BASIC COMMODITIES
Spot Market Prices — 1947-1949, equals 100

	Date Apr. 27	2 Wks. Ago	3 Mos. Ago	1 Yr. Ago	Dec. 6 1941
22 Commodities	91.8	92.0	89.3	89.4	53.0
Foods	83.0	80.9	76.1	85.1	46.5
Raw Industrial	98.4	100.5	99.6	92.3	58.3

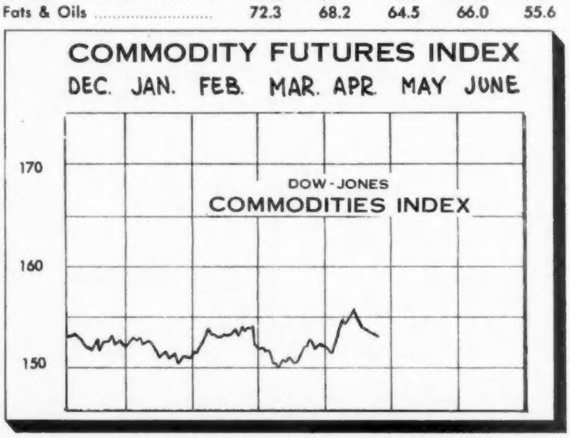
	Date Apr. 27	2 Wks. Ago	3 Mos. Ago	1 Yr. Ago	Dec. 6 1941
Metals	125.4	130.1	125.6	106.0	54.6
Textiles	79.5	80.1	80.6	85.0	56.3
Fats & Oils	72.3	68.2	64.5	66.0	55.6



14 Raw Materials, 1923-25 Average equals 100

Aug. 26, 1939—63.0 Dec. 6, 1941—85.0

	1956	1955	1953	1951	1945	1941	1938	1937
High	169.8	164.7	162.2	215.4	117.7	88.9	57.7	86.6
Low	163.1	153.6	147.9	176.4	98.6	58.2	47.3	54.6



Average 1924-26 equals 100

	1956	1955	1953	1951	1945	1941	1938	1937
High	156.2	173.6	166.5	214.5	95.8	74.3	65.8	93.8
Low	150.0	150.7	153.8	174.8	83.6	58.7	57.5	64.7

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. The service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject to the following conditions:

1. Give all necessary facts, but brief.
2. Confine your requests to *three listed securities* at reasonable intervals.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. No inquiry will be answered which is mailed in our postpaid reply envelope.
5. Special rates upon request for those requiring additional service.

Federated Department Stores

"Please report the principal department stores operated by Federated Department Stores, give sales and earnings of the company, and outline of physical expansion."
G. M., Independence, Mo.

Federated Department Stores operates a group of long-established department stores with branches in growing communities. Its past record has been excellent and growth prospects for the future appear favorable.

The largest sales, highest net income, and greatest per share earnings and dividends in the company's history were reported by Federated Department Stores for the fiscal year ended January 28, 1956. Sales for the year totaled $537,722,365, representing an increase of 7.4% from the preceding year. This was achieved with practically no increase in selling space and compared with sales totaling $500,556,136 the year previous. Net income increased at a greater rate than sales and after all charges, including taxes, was $22,064,142, compared to $19,091,636 in the previous year. This was an increase of 15.6%.

Per share earnings for the year were $3.07, compared with $2.63 in the preceding year and $1.87 two years ago. The figures cited were adjusted to reflect the stock split of two shares for one which became effective January 27, 1956.

Based on this stock split, the annual dividend rate was increased, effective July 30, 1955, from $1.25 per share to $1.50 per share. Effective with the dividend paid April 28, 1956, the stock has been put at the rate of $1.60 a year. Company's financial position reflects a healthy overall position. Working capital was $110,217,165, an increase of $14,284,483 from the preceding year.

Federated includes the following: Abraham & Straus, Brooklyn; Bloomingdale's, New York; Boston Store, Milwaukee; Filene's, Boston; Foley's Houston; Lazarus, Columbus; Sanger's Dallas; Shillito's, Cincinnati; Fedway Stores in Albuquerque, New Mexico; Amarillo, Texas; Bakersfield, Calif.; Corpus Christi, Texas: Longview, Texas; Oklahoma City, Okla.; Halliburton's, Pomona, Calif.; Westwood Village, Los Angeles, Calif.; Wichita Falls, Texas.

In the years since the end of World War II, Federated has achieved a great increase in its physical total floor space — excluding parking facilities — from 5,625,000 square feet at the end of 1945 to 10,669,000 square feet at the end of 1955. The latter figure was equivalent to 190% of 1945.

The past year has demonstrated to Federated's satisfaction the fact that the fundamental idea on which the establishment of the Fedway Stores was based is sound. The Fedway Stores is a group of full-sized department stores in smaller, growing, dynamic communities mainly located in the Southwest and Far West. Prospects for Federated for the current year appear favorable.

United Engineering & Foundry Co.

"I hear that United Engineering & Foundry Co. reported a decline in sales and earnings last year. Will you please explain this and give whatever information you have on the Company?"
C. J., New Orleans, La.

United Engineering & Foundry is one of the nation's largest producers of heavy machinery. It also produces rolling mills and finished facilities to the steel industry.

Total net sales for the calendar year 1955 amounted to $47,723,198, compared with $58,068,808 in 1954. This decline in sales volume of 17.8% was due partially to subnormal production earlier in the year; the relatively long period required to design and manufacture products on order, and the evacuation, March 31, 1955, of the New Castle, Pa., plant. Net earnings for 1955, after preferred dividend requirements, equaled 87 cents per common share, compared with $1.14 per common share the previous year. The decrease in net income was due not only to the factors referred to above, but also to progressively increasing operating costs and wage and salary increases as of July 1, 1955.

In addition to the regular dividend of $7 per share on preferred stock, the company paid four quarterly dividends of 20 cents per share of common stock, or a total of 80 cents in 1955, compared with 90 cents in 1954. The company's dividend record, although varying in amount from time to time, has been continuous and unbroken during its entire 55 years of operation.

(*Please turn to page* 264)

Leader and Runner-Up in the Soft Drink Field

(*Continued from page* 227)

approximate 85 per cent. In addition the new sizes are being successfully marketed in Canada, Mexico, the Philippines and several other foreign countries, further augmenting sales abroad which reached an all-time high in 1955, which was marked by the opening of 19 new bottling plants to cope with the growth of sales abroad.

Importance of Vending Machines

Expanded development at home and abroad of the new bottle sizes, along with continued vigorous promotion of the standard 6½-ounce bottle and fountain operations, Coca-Cola achieved another important advance in 1955 with the introduction of the "Pre-Mix" machine. This is a unit that refrigerates and dispenses into cups the beverage Coca-Cola prepared and packaged in bulk by the local bottler. These dispensers, of several types, include coin-control vending units for fixed locations, counter units, and small carry-pack outfits, the latter being especially suitable for serving customers at ball parks and similar gatherings. The importance of this new equipment is that, together with other means of distribution, Coca-Cola can be introduced in areas where it will be right at hand for those desiring to take advantage of the "pause that refreshes." Other markets that have yet to be fully developed are thousands of gas stations, industrial plants, offices, and other spots where "Coke" can be dispensed by the bottle vending or the cup vending units.

Backing up the expansion programs is national advertising in various media and in addition, the investment of millions of dollars annually in a cooperative market program with "Coke" bottlers. This includes local advertising in newspapers, posters, radio, television and other media, and working closely with the bottlers as they develop their own advertising plans.

An outstanding feature of the Coca-Cola Company is its strong finances. At the close of last year its total current liabilities were $26,360,438. This was in contrast with cash amounting to $26,910,311 as part of current assets to which must be added U. S. and Canadian Government securities carried at cost of $54,595,198, which together with trade accounts receivable and inventories brought total current assets to $126.1 million, almost $100 million greater than current liabilities. There were no bank loans, funded debt, nor preferred stock, the only capital issue being 4,280,805 shares of common on which 1955 earnings equaled $6.44 a share. For the last six years dividends have been maintained at $5 a share, continuing a record that has been unbroken over the last 36 years. The stock, ranking as a high-grade issue, is currently selling around 128 at which price its dependable income yields approximately 3.12%.

Pepsi-Cola Company

Within the last five years Pepsi-Cola has proved to be one of the fastest growing companies in the soft drink field. Although prior to this period it had achieved some degree of success in developing greater year-to-year sales through an increased number of franchised bottlers there were indications, later on, that while the company's slogan "more bounce to the ounce" continued to apply to its product, there was far less agility in management. It was late in 1954 that Pepsi-Cola brought in Alfred N. Steele, a former Coca-Cola vice president, to take over as President and Chief Executive Officer. In the shortest possible time after this action the company embarked on a rehabilitation and reconstruction job, eschewing dividend payments to shareowners in 1950 and 1951, using retained earnings to develop the business.

Adding Dignity to a Good Product

This was a job of many facets. It included a change in the syrup formula to improve the flavor, putting it in a more attractive 12-ounce bottle, and emphasizing in advertising and other sales promotion efforts, quality rather than quantity. In advertising, "Light Refreshment" took the place of "twice as much for a nickel too" because, President Steele is quoted as saying, the old slogan made people think of Pepsi-Cola as the poor man's Coca-Cola. The new management also emphasized the importance of relationships with its franchised bottlers. Accordingly, it made the bottlers' problems its problems and established the practice of cooperating with them to enable them to develop their territories and realize the growth potentialities inherent in the business.

For greater efficiency, the company marked off the country into eight regional districts each being in charge of a regional manager whose responsibility was to work closely with bottlers to solve their particular problems and aid them in advertising and every other way. Supervising the regional managers are four divisional vice presidents who are responsible to the home office. In effect, these regional and divisional set-ups bring top management out into the local levels of the business, providing the bottlers with a sharper concentration of field authority and making possible the addition of various marketing services.

Pepsi-Cola pioneered the family size bottle for its product and has concentrated on developing cup and bottle vending machines for installation in theatres, variety and other types of stores, military posts, railroad stations and terminals, and at other spots where people gather. The company has vigorously developed its foreign business. At 1955 year-end, Pepsi was being distributed in 71 countries. Two years ago the company coordinated all overseas activities into Pepi-Cola International, Ltd., a wholly-owned subsidiary, that has since made further gains abroad that in 1955 alone were marked by the opening of 20 new plants in various countries overseas, with 21 additional plants to be launched in 1956.

Although Alfred N. Steele has been succeeded by Herbert L. Barnet as Pepsi-Cola's president, he continues as chief executive officer and as such does a great deal of "leg work" around the world in building sales, including the Schweppes line made up of quinine water, club soda and ginger ale.

Five Years of Growth

How far the company has progressed since 1950 can be meas-

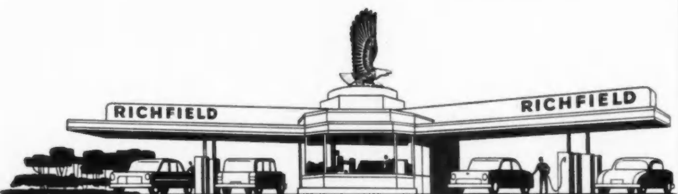
(*Please turn to page* 256)

Richfield Reports

A NEW HIGH IN SALES

through better SERVICE

to more people!



BALANCE SHEET AT DECEMBER 31, 1955 AND DECEMBER 31, 1954

Assets	1955	1954
Cash and Government securities	$ 27,655,825	$ 36,037,209
Accounts receivable (net)	35,701,797	31,482,947
Inventories	36,698,311	33,896,173
Investments and advances (net)	7,017,494	4,245,053
Capital assets (net)	192,329,432	179,523,089
Deferred charges	5,086,892	4,719,906
	$304,489,751	$289,904,377

Liabilities and Capital	1955	1954
Current liabilities	$ 26,880,339	$ 24,904,413
Long term debt	81,000,000	84,000,000
Reserve for contingencies		202,647
Stockholders' equity:		
Capital stock	74,699,277	74,496,630
Earnings employed in the business	121,910,135	106,300,687
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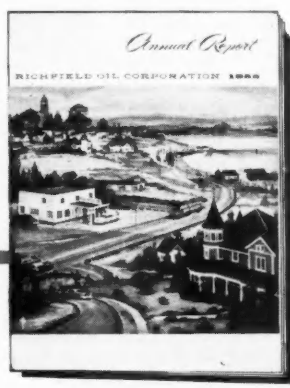
Operating Statistics — Barrels	1955	1954
Production of crude oil—gross	26,723,000	26,746,000
Production of crude oil—net	20,729,000	20,809,000
Crude oil processed at refinery	44,508,000	41,137,000
Sales of refined products	50,876,000	40,122,000

INCOME ACCOUNT
FOR THE YEARS 1955 AND 1954

	1955	1954
Gross operating income	$245,295,088	$223,310,969
Costs and expenses	196,224,541	184,282,580
	$ 49,070,547	$ 39,028,389
Interest expense and nonoperating income—net	(1,561,099)	(1,457,688)
	$ 47,509,448	$ 37,570,701
Provision for Federal taxes on income	17,900,000	12,000,000
Net income	$ 29,609,448	$ 25,570,701
Net income per share	$7.40	$6.39

WE WILL BE PLEASED TO SEND YOU A COPY OF OUR 1955 ANNUAL REPORT. WRITE: SECRETARY RICHFIELD OIL CORPORATION 555 SOUTH FLOWER STREET LOS ANGELES 17, CALIFORNIA



RICHFIELD OIL CORPORATION

Executive offices: 555 South Flower Street, Los Angeles 17, California

Leader and Runner-Up in the Soft Drink Field

(*Continued from page* 227)

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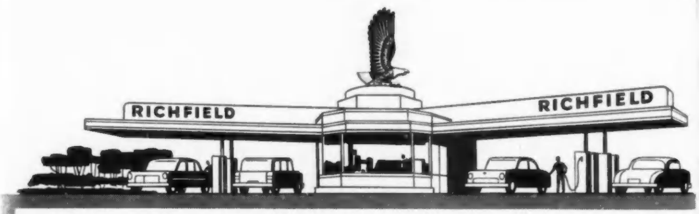

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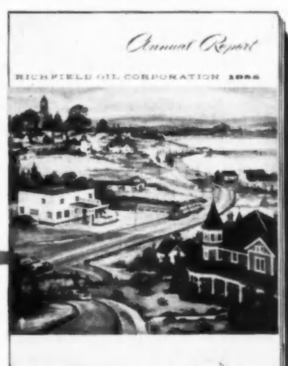


RICHFIELD OIL CORPORATION

Executive offices: 555 South Flower Street, Los Angeles 17, California

What's new on the New York Central ?

Progress Report #3 to an America on the move

A noted investment broker gives you his

frank views on the Central's new annual report

(In order to get the investor's viewpoint on our new annual report, we submitted the report to Mr. Gerald M. Loeb, Partner of E. F. Hutton & Company. His remarks follow, exactly as they were told to us.—*The New York Central Railroad.*)

When you ask "What's new on the New York Central," it's my responsibility to have the answer. I've just finished studying the Central's new annual report for 1955, so I think I'm in a pretty good position to point out to you just what is new.

The year was a good one. The company earned $8.03 per share. It paid regular quarterly dividends for the first time since 1931. Net railway operating income increased 124% and at $73.8 million was the highest in the industry.

But to get a true picture of the road's performance, we have to bear in mind these words of Chairman Robert R. Young, **"It is only in relation to the past that your officers and directors regard the 1955 performance of your railroad as satisfactory."**

The Central earned 3.8% on its rate-making valuation last year. By way of comparison, the report shows that all other railroads averaged 4.2%, while most public utilities earn a 6% return.

Why do the railroads come out second best? Here again Mr. Young gives the basic facts of railroad economic life: Like the "box" railroads find themselves in when rate increases lag months behind wage increases; the subsidies that go to competing forms of transportation; and that old dilemma—the low return and low depreciation rates that have made replacement of obsolete equipment such a slow and difficult process.

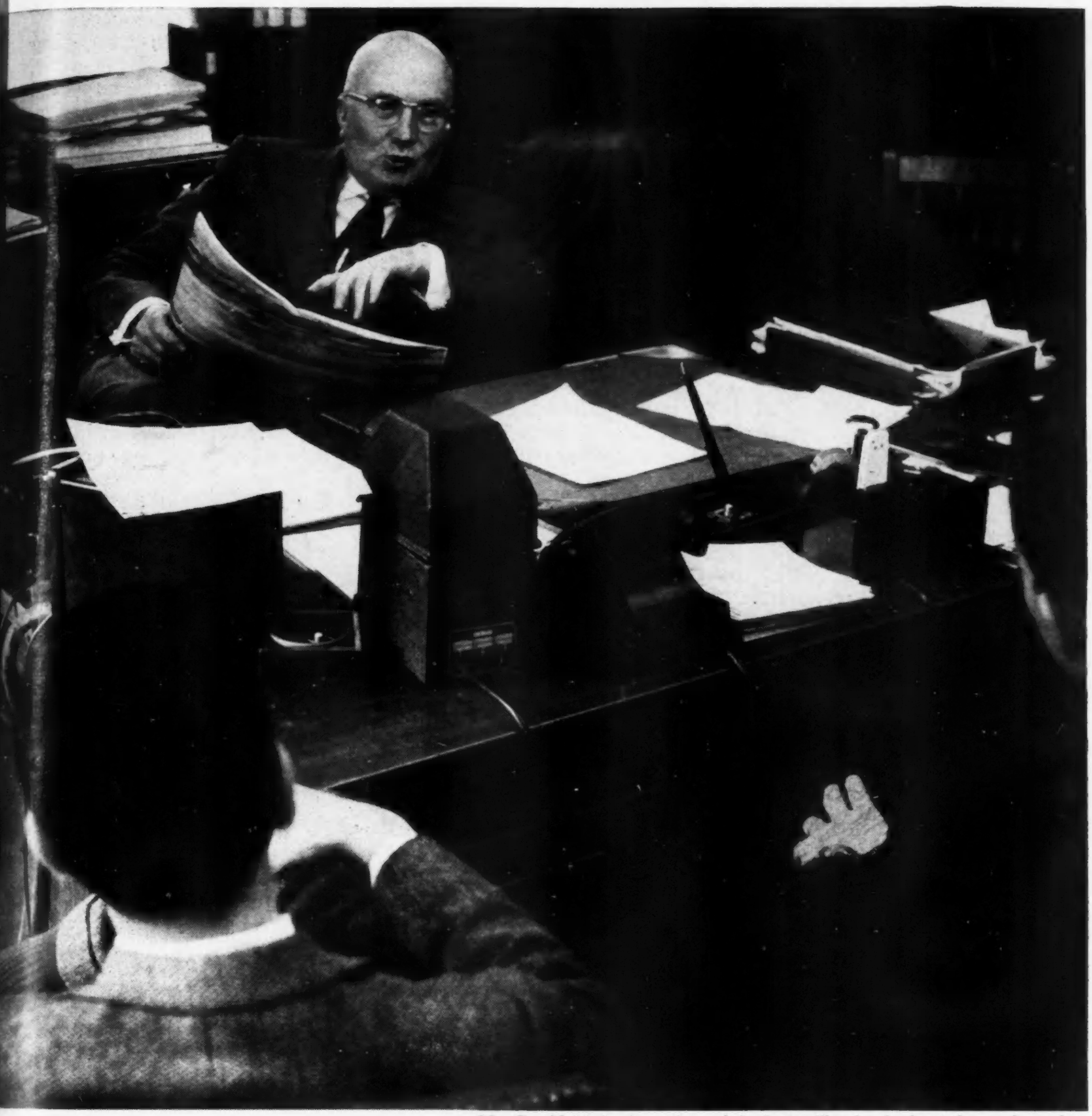
To cure these ills, Mr. Young urges the entire industry to take its case before the people with a one-hundred-million-dollar public information campaign. Frankly, if the railroads are to get on a sound footing, I can't think of a more judicious expenditure.

But now let's look at the "why" hind the Central's improved perform last year. Here are a couple of exam I've singled out from the annual rep

Closer cost controls—1955 was first year in the company's history the entire supervisory staff was calle to help make the budget. As you'd pect, this resulted in closer cost contr And it allowed the Central to mak more accurate projection of their position for the entire year.

Improved maintenance—The rep points out that last year the Centr repair shops turned out more than tw as much work as in 1954—and at cost. You see, these shops were cons dated and set up as efficient product lines.

What lies ahead? As I interpret annual report, the company will make



Mr. Gerald M. Loeb, author of the best-selling book about the stock market, "The Battle for Investment Survival," is a partner of E. F. Hutton & Company.

gest strides in the following areas:

new five-year program to build a e efficient plant. Many major im- vements already are well under way. Central is consolidating and mod- zing its freight yards, and has begun Centralized Traffic Control System. se are the kind of improvements that for themselves quickly out of sav- , and also speed up service to cus- ners. As part of the tightening-up cess, 700 miles of track have been red to date, along with hundreds of olete buildings.

ew passenger train concept—The tral is experimenting with two new tweight trains—The Aerotrain and Xplorer. This is a bold attempt to tch today's sagging, money-losing road passenger traffic to a dynamic growing business.

This report shows how, at the end of 1955, the members of the New York Central board of directors and Alleghany Corporation owned almost one-quarter of all the shares outstanding, giving them the best incentive to build for the future. And not only for their own profit, but for all their co-shareowners, from the man who owns one share.

Every fact and figure on which I've based this brief analysis is available to you in the 1955 New York Central Railroad Company Annual Report. I think investors, employees, customers and students will find the report fascinating and informative.

I also feel that you'll probably be as impressed as I was with the railroad's philosophy of doing business. The president, Alfred E. Perlman, put it extremely well when he wrote, **"If we were to consider the interest of any one group at the expense of the others, we should be failing in our obligation to all, to the eventual detriment of the property, its customers, its owners and those who work for it . . . the program we have projected gives consideration to all three of these 'interests' and 1955 has been a good year for all three."**

★ ★ ★

Copies of the Annual Report can be obtained from the Secretary of the Company at 230 Park Avenue, New York 17, N. Y.

New York Central Railroad

Appraising First Quarter Earning Reports

(*Continued from page* 213)

running until about mid-1958 or later at Peoria, Joliet and Decatur —its three largest manufacturing plants. These agreements cover wages, working conditions, pensions, insurance, and supplementary unemployment benefits for more than 90 per cent of the company's total hourly employee group, and in addition contain no reopening provision.

JOHNS-MANVILLE CORP.—Sales of $64.4 million in the three months to March 31, 1956, were the highest for any first quarter in the company's history, being $8.4 million higher than in the 1955 first quarter. The gain reflects the high level of construction activity in the first three months, normally the lowest in sales for the company. Consolidated earnings for the quarter ended March 31, last reached $4.1 million, a gain of approximately 50.5 per cent from the $2.7 million reported for the corresponding 1955 period. These showings, after giving effect to the 2-for-1 stock split in March of this year, were equal to per share earnings of 64 cents and 43 cents in the 1956 and 1955 first quarters respectively. With a seasonal increase in building activity and alteration work in the second quarter of the year it is expected that sales and earnings for the three months to June 30 next will show the same rate of increase, per share earnings exceeding the $1.02, on the adjusted basis, reported for the like period of 1955. Scheduled for 1956 are expansion plans involving about $26 million in capital expenditures for development of additional raw material sources and new distributing and manufacturing facilities, the latter including a new insulating-board plant near Klamath Falls, Ore., expected to be in operation by mid-1957. In line with its expansion, the company, contemplating entering the gypsum field, has taken an option on a large gypsum deposit in Nevada, on which it is expected to start exploratory work at an early date. Should the company, now a major producer of asbestos building materials, enter the gypsum field, production of such products as gypsum board, lath and plaster, and sheathing, it would further round out its activities which now include manufacture of asphalt roofing, asbestos-cement products, "Transite" pipe, friction materials, and other products. During 1955 dividends on the common stock were paid at the rate of 75 cents quarterly with a year-end extra of $1.25 bringing total distribution for the year to $4.25. It is expected that the split stock will be put on a 50-cent quarterly basis and in view of the good 1956 earnings outlook this payout might be augmented by a moderate extra at the year-end.

UNION CARBIDE & CARBON CORP.—Sales and net income for the three months to the end of March this year were the highest for any first quarter in the corporation's history. For the three months sales totaled almost $309.9 million, approximately 17.8 per cent greater than sales of $263 million for the corresponding 1955 period. Net income for the 1956 quarter increased 28 per cent over the first three months of last year, net for that period amounting to $28.3 million, or 98 cents a share as compared with 1956 first quarter's $36.2 million, or $1.24 a share. A number of factors have contributed to the current year's first quarter sales and earnings increase which is an extension of the upswing recorded in 1955 during which the company shipped for the first time in commercial quantities 31 new chemicals, 25 of which had not been industrially available before. Included in this group were two chemicals, now shipped in tank-car quantities, used in the new "tranquilizer" drugs that are proving useful in relieving mental distress, and a third chemical, gamma-picoline, that goes into the modern medicants for tuberculosis. Carbide and Carbon also introduced last year 16 new silicone rubber compounds, and in addition to benefiting from increased sales of ferro-alloys to the steel industry also developed new types of ferro-alloys, including manganese-bearing alloys for the production of stainless steel and alloys providing great strength in high temperatures for jet aircraft. These are some of the fruits of continuous research on which the company last spent $43 million. For the past 10 years construction expenditures have been averaging $100 million a year. This year, such expenditures will be expected to exceed this annual average. Included in current plans are a new chemicals and plastics plant, a titanium plant, a number of new oxygen plants, and substantial expansion for producing carbon and graphite electrodes, as well as large expansion programs in chemicals and plastics at plants in Texas and West Virginia. Under construction at this time is a new Canadian plant for the manufacture of ethylene glycol, polyethylene, and other chemicals. Based on first quarter results and the generally favorable outlook for the balance of the year, earnings for 1956 could better the $4.83 a share the company realized in 1955.

ALLIED CHEMICAL & DYE CORP.—Both sales of $166 million and income of $12.7 million were the largest of any first quarter in the company's history. Sales were 11 per cent higher than last year while net income increased from $11.7 million a year ago to $12.7 million. Per share earnings for the 1956 quarter were equal to $1.32 against $1.22 last year, after adjusting for the 5% stock dividend paid in December, 1955. The sales gain registered in the current year's first three months reflects greater volume for practically all of the company's products except nitrogen, lower shipments being attributed to unsettled agricultural conditions. Although Allied is not increasing its basic nitrogen capacity, it is proceeding to broaden its line of fertilizer materials by constructing new facilities for producing ammonium nitrate in solid and solution forms. These plants and other under construction will raise total capital expenditures this year to approximately $80 million which compares with about $48 million expended in 1955. Other projects include expanded aniline facilities at Moundsville, West Va., which went into operation a few weeks ago and by early in the third quarter it will attain greater output of isocyanates for polyurethane foam plastics. In addition, it is expected that within the next few weeks it will start production of vinyl chloride used for making polyvinyl chloride resin for rainwear, flooring, and packaging. Last year earnings, after giving

(*Please turn to page* 250)

What is Jersey Standard?

PEOPLE. The more than 300,000 people who own it—merchants . . . teachers . . . farmers . . . bus drivers . . . housewives . . . people who've invested their savings in our growth. They have just received the Annual Report on the 73rd year of our company's business.

What makes Jersey Standard run? People. People in offices and in the labs, in the oil fields and refineries of our affiliated companies. People like all of us . . . who work, play, raise families.

What keeps Jersey Standard and its affiliates in business? All kinds of people – stockholders, employees and customers.

Because of all these people, we had a good year in '55. A year of searching for and finding more oil to provide light and heat, to run cars and trucks, trains and planes, buses and tractors, to make petrochemicals. A year of even greater research leading to more and better products. A year—as our Annual Report shows – of better sales and earnings, of record payments in wages and benefits to employees, of record income generated for governments in the form of taxes – a year, in short, of bigger contributions to the prosperity of the people of the countries where we do business.

If you would like a copy of our 1955 Annual Report to Stockholders, please write to us at: Room 1626, 30 Rockefeller Plaza, New York 20, N. Y.

STANDARD OIL COMPANY (NEW JERSEY) AND AFFILIATED COMPANIES

Appraising First Quarter Earning Reports

(*Continued from page* 248)

effect to the stock dividend, were $5.45 a share which, on the basis of 1956 first quarter results should be moderately exceeded this year. The present 75-cent quarterly dividend should be maintained and could be augmented by another stock dividend of at least 5 per cent.

REYNOLDS METALS CO.—First quarter sales for the current year continued the upswing which beginning in 1950 carried volume from $166.9 million to a peak in 1955 of $384.8 million. In the three months to last March 31, sales of the company and its wholly owned subsidiaries rose to a record level of $105.5 million, an increase of 21 per cent over 1955 first quarter volume of $87.1 million. Net profit for the first three months of this year also made an all-time high of $11.5 million. This was a 57 per cent increase over the like period of last year and was equal to $1.12 a share for the common stock as compared with 1955 first quarter net of 71 cents a share on the number of shares outstanding. Reynolds is steadily progressing in its expansion plans. These include enlarging primary production facilities at five of its six reduction plants, construction of a new extrusion plant, as well as other additions and improvements. All this is exclusive of the new reduction plant of 200 million pounds annual capacity at Listerhill, Ala., part of its output being intended for delivery in molten form to the Ford Motor Co., under a 10-year contract calling for 640 million pounds of the metal. Reynolds Metals' earnings last year of $3.41 common or capital stock should be more than duplicated in the current year, although dividends will likely be held to a token quarterly rate pending completion of its expansion program and development of greater earning power from the greatly increased aluminum production. The stock should be regarded for its merits as a long-term commitment.

—END

Autos, Accessories and Tires

(*Continued from page* 231)

served notice that prices will be higher on 1957 GM models, if steel prices go up in July. Since a boost in steel prices is virtually assured, consumers can look forward to an increase of at least 3% to 5% in "suggested' factory prices for 1957 models. Last year's all-time sales record was made possible partly by keen competition among dealers, and resultant price cutting at the retail level. In addition to the factory's price boost the dealers on any moderate improvement in demand will try to realize a better profit per car. While they are unlikely to make anything like the maximum 24% discount, they will certainly try to make an additional $100 to $300 profit on each car. Such mark-ups may mean the loss of quite a few sales.

The Two-year Changeover Cycle

The auto industry is currently in a two-year changeover cycle. The next major body change, after the 1957 models appear, will come when the 1959 model cars are introduced, around two years from next Fall. It is unlikely that 1958 would see any major upsurge in sales, since this is the year scheduled for a minor, or facelifting changeover. Hence it appears that the next year in which the auto industry will have a good chance to set a new record will be 1959.

For 1955, reduced volume, coupled with cost absorption, is slashing auto company profits rather sharply, although General Motors was able to hold its profits drop to less than 10% in the first quarter. From the sales standpoint, General Motors' first-quarter showing was impressive, for its sales were only a trifle lower than in the same quarter of 1955. But the absorption of costs, including the generous concessions to dealers, brought net per share down to $1.01, against $1.14 in the first quarter of 1955.

In the second quarter, General Motors will show a drop in sales of about 15% compared with the same period of last year, and it is likely that under those conditions, net profit will drop around 30% from the record-breaking earnings of $1.27 a share for the second quarter of a year ago. GM's earnings will hold up this year by far the best of any of the Big Three. Allowing for a good fourth quarter, GM's net for the year should be between $3.50 and $3.70 a share.

Ford's first quarter showed a drop of 14.7% in sales and of nearly 30% in net, with $1.37 per share reported for the stock, as against $1.93 a share in the same period of last year. Chrysler's decline in sales is estimated to have been over 35% and its profit for the first quarter is estimated at less than one-half the $3.96 shown for the first quarter of last year. Chrysler's net this year should be around $5.50 to $6 a share, or around one half of last year's net.

The Independents' Plight Worsens

The independents have been hit even harder than the Big Three, and their plight is growing worse in a sharply competitive market. Studebaker-Packard has been unable to obtain financing needed to merchandise its present line and to pay for tooling on 1957 models. Its first quarter loss was heavy.

American Motors lost nearly $1 million in the six months ended March 31, after allowing for a profit of $7.1 million on the sale of securities. Neither of the independents is likely to come close to its break-even point this year. For Studebaker - Packard, the only solution, short of liquidation of at at least one of its car lines, appears to be a merger with a strong non-automotive company. Such mergers have thus far been sought unsuccessfully.

The problem facing the auto companies for the immediate future is the liquidation of top-heavy inventories in dealers' hands which were built up in the first quarter. Such stocks are currently over 800,000 units. It will take a hard drive during the spring selling season, to dispose of these inventories before the introduction of the new 1957 models, for the public is in a hard-bargaining mood. Used cars are selling well, particularly late models — 1953, 1954 and 1955. The public finds that it can effect considerable saving by buying a late-model used car, rather than a new car, for used-car prices are low.

(*Please turn to page* 258)

STANDARD OIL COMPANY (INDIANA)

and Subsidiaries Report

1955 Biggest Year in Company History

Net earnings, total income, and total dividends paid to stockholders set new records in 1955 for Standard Oil Company (Indiana).

NET EARNINGS FOR 1955 WERE $157,120,000, a gain of 34 per cent over 1954. This was equal to $4.81 a share, based on the average number of issued shares. This compares with $3.73 a share in 1954, after adjustment for a 100 per cent stock dividend in that year. Chairman Robert E. Wilson and President Frank O. Prior attributed the earnings gain to greater production of crude oil and natural gas liquids, product sales increases, and operating savings resulting from Standard's heavy investment in new facilities in recent years. Earnings in 1955 included a nonrecurring net profit of $9,235,000 from the sale of an interest in certain producing properties.

TOTAL INCOME FOR 1955 SET A NEW HIGH OF $1,814,000,000. Sales totaled a record $1,736,000,000. In the face of intense competition, volume of product sales increased 7.9 per cent; dollar value increased 7.5 per cent. A booming economy in industrial areas aided in achieving these gains. However, the rural market was depressed in most areas as a result of falling farm prices.

Gasoline octane ratings are now at the highest point in the Company's history. Increasing emphasis is being placed on management-dealer conferences to tackle mutual problems and improve operations. Capable dealers in clean and attractive stations are a key factor in Standard's sales success. Since 1946 volume of gasoline sales through service stations has increased 80 per cent while the number of outlets has been held fairly constant.

DIVIDENDS IN 1955, including the market value on its distribution date of a special in Standard Oil Company (New Jersey) stock, were $2.403 a share. These dividends were valued at $78,187,000, the highest in the Company's history. On a comparable basis, dividends paid in 1954 were equal to $2.083 a share. Dividends were paid in 1955 for the 62nd consecutive year.

PRODUCTION IN 1955 was aided by continuing development of prior discoveries. The most active development area was in the Pembina field, Alberta, Canada. Standard produced 7,360 net barrels of Canadian crude daily at the end of 1955, more than four times the production rate at the previous year end. After making up for 100 million barrels withdrawn during the year and the sale of an interest in some producing properties, Standard was able to increase net proven reserves of crude oil and natural gas liquids 37 million barrels, to 2,097 million barrels.

TOTAL BORROWINGS IN 1955 decreased by $11,679,000. At the year end, they were about 17 per cent of total assets, compared with a peak of 21 per cent in June, 1949. Capital expenditures of $229,900,000 in 1955 compared to expenditures of $284,300,000 in 1954. Major manufacturing outlays were for further product quality improvement, for a refinery being built at Yorktown, Virginia, and for chemical plants at Brownsville, Texas, and Hammond, Indiana. Capital outlays for transportation and marketing went mainly toward modernizing and improving existing facilities to reduce operating costs. 1956 capital expenditures probably will be 15 or 20 per cent higher than in 1955.

EMPLOYEES AT THE END OF 1955 numbered 51,520, of whom about 30,000 own Standard Oil stock. Wages, benefits and employee relations practices were consistent with the best examples of a free and competitive business system.

STOCKHOLDERS NUMBERED 132,800 at year end. This broad base of ownership extends to residents of every state in the union and of many other parts of the world. Museums, libraries, colleges, hospitals and other institutions serving the needs of many people were among those receiving regular Standard dividend checks.

This record of progress reflects constantly improving ability to serve our customers, and demonstrates the splendid support and cooperation of our employees.

CONSOLIDATED STATEMENT OF INCOME

for the Years 1955 and 1954

	1955	1954
Sales and operating revenues	$1,781,317,827	$1,660,343,193
Dividends, interest, and other income	32,636,188	16,195,654
Total income	$1,813,954,015	$1,676,538,847
DEDUCT:		
Materials used, salaries and wages, operating and general expenses other than those shown below	$1,411,523,765	$1,347,519,754
Depreciation, and amortization of emergency facilities	87,607,924	77,195,905
Depletion, amortization of drilling and development costs, and loss on retirements and abandonments	51,575,756	45,935,491
Federal taxes on income	43,290,000	29,471,000
Other taxes (exclusive of taxes amounting to $288,354,000 in 1955 and $264,952,000 in 1954 collected from customers for government agencies)	49,622,854	44,552,531
Interest expense	11,987,179	11,301,377
Minority stockholders' interest in net earnings of subsidiaries	1,228,709	3,406,021
Total deductions	$1,656,836,187	$1,559,382,079
Net earnings	$ 157,117,828	$ 117,156,768

Copies of the 1955 Annual Report are available on request as long as the supply lasts. Write Standard Oil Company, 910 S. Michigan Avenue, Chicago 80, Illinois.

THE STORY IN FIGURES

	1955	1954	1953
FINANCIAL:			
Total income	$1,814,000,000	$1,677,000,000	$1,729,000,000
Net earnings	157,120,000	117,160,000	124,830,000
*Net earnings per average issued share	$4.81	$3.73	$4.06
†Dividends paid	$55,970,000	$48,780,000	$46,620,000
†Dividends paid per share	$2.403	$2.083	$1.932
Earnings retained in the business	$101,150,000	$68,380,000	$78,210,000
Capital expenditures	$229,900,000	$284,300,000	$209,200,000
Total assets	$2,332,000,000	$2,187,000,000	$2,036,000,000
Net worth	1,701,000,000	1,574,000,000	1,437,000,000
*Book value per share	$51.46	$48.48	$46.70
PRODUCTION:			
Crude oil and natural gas liquids, barrels per day, net	274,100	249,600	268,100
Oil wells owned, net	10,080	9,764	9,442
Gas wells owned, net	1,855	1,763	1,522
MANUFACTURING:			
Crude oil and natural gas liquids processed, bbl/day	601,500	579,500	587,600
Crude running capacity, barrels per day (year end)	655,800	657,700	612,800
MARKETING:			
Total sales in dollars	$1,736,000,000	$1,621,000,000	$1,665,000,000
Sales of crude oil, barrels	117,400,000	113,200,000	132,300,000
Sales of natural gas, thousand cubic feet	434,000,000	393,400,000	367,500,000
Sales of petroleum products, barrels	234,300,000	217,200,000	224,700,000
Retail outlets served	30,140	30,710	30,900
TRANSPORTATION:			
Pipelines built, miles	315	1,163	1,484
Pipelines owned, miles	17,400	17,550	17,540
Pipeline traffic, million barrel miles	146,200	140,500	142,500
Tanker and barge traffic, million barrel miles	94,130	81,290	101,100
PEOPLE:			
Stockholders (year end)	132,800	122,100	117,800
Employees (year end)	51,520	51,270	50,870
Wages and benefits	$330,800,000	$323,100,000	$313,600,000

*Adjusted for the 100 per cent stock dividend in 1954.

†"Dividends paid" include the value *on this Company's books* of the Standard Oil Company (New Jersey) stock distributed as a dividend. "Dividends paid per share" (which have been adjusted for the stock dividend in 1954) include the *market* value of the Jersey stock on date of distribution.

Can Steel Maintain Its Pace?

(*Continued from page* 225)

If manufacturers felt assured that price increases deemed necessary to obtain an adequate return on invested capital could be put into effect without disturbing consumer demand, then observers would feel justified in estimating record-breaking earnings for representative companies. Such confidence is lacking, however, because for all practical purposes one management alone determines the industry's pricing policies — and this company's policy obviously cannot be predetermined.

Even though the industry is highly competitive, no small independent producer could afford to "jack up" prices to the extent the traffic would bear for fear that the moment conditions eased its customers would change their buying habits. As an example, suppose a major producer in the Ohio area should announce schedules higher than those quoted by U.S. Steel or Bethlehem; perhaps the consumers dependent on this independent supplier would be compelled to pay premiums for the time being, but it is certain they would begin shopping around for other sources and as soon as they could place orders with competitors of the high-priced independent their business would shift. Instances such as illustrated here developed immediately after the Korean incident.

Pressure on Prices

Anyone familiar with industry practices knows that all producers must adjust their prices to conform with schedules posted by Big Steel. Variations are made, of course, to take into account proximity of customer to mill and to compensate for freight costs. Thus no manufacturer can say what his price list will be after settlement of wage talks. All are hoping that the leader will mark up quotations sufficiently to maintain earnings at rates obtained in the first six months — if not better. Some spokesmen have suggested that prices should be raised $12 to $15 a ton even prior to wage increases, but such a step seems impractical.

Perhaps the pressure for higher prices has been designed as a gesture to forestall what would be deemed inadequate adjustments. The industry leader probably could get along with adjustments less severe than some of the smaller competitors whose plants are less efficient than are U.S. Steel's modern mills. In view of the agitation in and out of Government to hold down inflationary forces, U.S. Steel's management would have a strong argument with which to support modest upward adjustments if such a policy were put into effect. It could be asserted that slight increases would encourage consumers to use more steel at the expense of more costly metals. Sharper boosts, it might be added, would have a restrictive effect on industrial activity and could retard use of steel. In the end, smaller independents would feel the pinch of narrow margins sooner than would Big Steel.

Whether or not enlargement of facilities has been too rapid is a moot question. Some economists, remembering recessions of the past, are worried over the prospect of a serious decline in demand along with rigid cost factors. In the face of such doubts, managements have put into motion plans for further growth. Projects contemplated this year envisage expenditures of $1.2 billion, the greatest outlay of capital for plants and equipment in a single 12 months. Spending last year totaled about $730 million. Substantially all of this year's appropriations have been arranged for privately. Steel executives find it difficult to raise capital on the outside on terms regarded as attractive, for they contend that investors seem reluctant to put funds into equities in this industry. This may be due to the fact that, generally speaking, book values range well above market prices for shares.

Expansion and Absorption

The fact that steelmaking capacity has expanded so much more rapidly than population presents another argument for caution. Many observers contend that the rate of progress may be expected to slacken. Population rose approximately 21% in the 10 years after the war; steelmaking gained 40%. As a result, capacity has increased to 1,550 pounds of steel annually for each person. This would compare with a ratio of 1,340 pounds to the individual at the start of 1946. Further enlargement points to indicated capacity in excess of 1,600 pounds each year for every citizen.

Progress has been due, to a considerable extent, to growth in demand for consumer goods, especially motor cars, refrigerators, washing machines, power lawnmowers and many other essential household needs that have found an ever-expanding market since the war as a counterpart of the boom in residential construction. Support for this view is found in the fact that production of light steel has gained more rapidly than has heavy steel output. Stainless has expanded by leaps and bounds as motor-car manufacturers have adopted the metal as a decorating medium.

Higher Profits Ahead

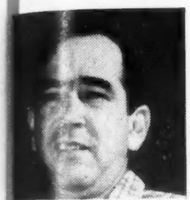
With all indications pointing to establishment of excellent results for the first six months, assuming earnings in the current quarter may compare favorably with statements for the first three months, it seems reasonable to look forward to a generally higher average for profits for the full year.

Barring a serious interruption of output in the third quarter, managements should feel optimistic enough to consider liberalization of dividends in the late months of 1956. Necessity for retention of earnings to finance improvements has restricted disbursements to stockholders. As a rule, the industry rewards stockholders in periods of prosperity. Higher dividend distributions would make equities more inviting to investors and could ease the problem of raising outside capital. Hence, looking ahead for a few months, it would seem possible to anticipate better returns for stockholders commensurate with improvements for labor. Prospects appear promising for steady growth in the industry.

—END

"We pulled off Florida's biggest squeeze play!"

A noted researcher tells how frozen orange juice has rewritten America's grocery lists, and how steel helped make this possible



Dr. L. G. MacDowell

LAKELAND, FLA. Almost overnight fresh-frozen concentrated orange juice has become the big Florida freeze that paid off.

Here's the fascinating story as told by Dr. L. G. MacDowell, research director of the Florida Citrus Commission and an important man-behind-the-scenes of a booming industry that's only 10 years old.

"By removing ¾ of the bulk (water) of an orange, the industry is able to concentrate from 9 to 12 oranges in each 6-oz. can. This makes for economy in handling and shipping, since the housewife restores the bulk simply by adding water. By taking the 'squeeze' out of orange juice and freezing in all the delicious taste and nourishing vitamin C, the frozen concentrate industry has grown at an almost unbelievable rate."

Look what's happened

"Just consider this. In 1944-45, when we started packing frozen orange juice concentrate, only 226 *thousand* gallons went into cans. But in 1954-55 alone, we sealed 67 *million* gallons of this concentrate in cans.

"To meet this fabulous demand for concentrate, over 50 percent of the orange crop now is needed each year. Where there was only one concentrating plant 10 years ago, there are 24 today. These plants, located minutes away from the orange groves, take the golden harvest of 12 million trees each year."

How steel helped

"Once we had licked the problem of how to make frozen orange juice concentrate, it was only logical to choose cans as the container," the scientist continued.

Dr. MacDowell led the team of research chemists responsible for the development of the processing method which gives frozen concentrate orange juice its fresh, just-squeezed flavor and wholesome nutrition.

Giant squeezers take all the fuss out of preparing vitamin-rich orange juice. With water removed, juice of 9 to 12 oranges is concentrated into one handy 6-oz. can.

Cans were chosen because they're hermetically sealed, thus assuring peak taste and vitamin values. Of course, the can is sanitary and it's used only once. It won't break or shatter. What's more, it's easy to carry, ship, and to store.

Cans are strong, because they are approximately 99 percent steel, with a coating of tin to make them resistant to corrosion. And they're compact, adding only a fraction of an inch to their contents.

National's role

Our Weirton Steel Company is a leading supplier of the electrolytic and hot-dipped tin plate needed for the $1\frac{1}{2}$ *billion* cans the frozen orange concentrate industry required last year, and for the more than *35 billion* cans made each year to bring you a tremendous variety of fruits, vegetables, soups, meat, fish and milk, as well as the thousands of non-food products packed in cans.

Tin plate, of course, is just one of the many steels made by National Steel. Our research and production men work closely with customers in many fields to provide steels for the better products of all American industry.

At National Steel, our constant goal is to produce still better and better steels of the quality and in the quantity wanted, at the lowest possible cost to our customers.

SEVEN GREAT DIVISIONS WELDED INTO ONE COMPLETE STEEL-MAKING STRUCTURE

Great Lakes Steel Corporation • Weirton Steel Company • Stran-Steel Corporation • Hanna Iron Ore Company • National Steel Products Company • The Hanna Furnace Corporation • National Mines Corporation

NATIONAL STEEL CORPORATION

GRANT BUILDING PITTSBURGH, PA.

A. T. & T. Pacing The Nation's Growth

(*Continued from page* 210)

is the greatest of all research organizations.

Indeed, if the capital spending program for Western Electric and Bell Labs are thrown in, the company will be found to be spending this year more than the $2.1 billion hitherto cited. Both operations carry on highly vital defense work.

Two highly important developments of this phase of the business are worthy of note. In Americus, Ga., the company has been testing new equipment which carries five conversations at the same time over one pair of rural telephone wires. This is about to go into regular manufacture and will help to improve service in rural areas. Instead of vacuum tubes, the equipment uses transistors, the amazing new electronic devices invented a few years ago at Bell Labs.

Sunlight Into Electricity

One of the most talked-about developments in scientific circles is solar energy, a field in which the company also has moved out in front. Also at Americus, it has been using, experimentally, the Bell Solar Battery, another Bell Labs invention, to supply part of the power to operate the new equipment. This battery converts sunlight directly into electricity.

Some 6,000 patented Bell Labs ideas have earned the company millions of dollars annually in licensing fees. These and another 2,200 from other Telephone subsidiaries are the patents the company has consented to hand over to any American company that wants to use them, the result of a consent decree obtained by the Government from the company.

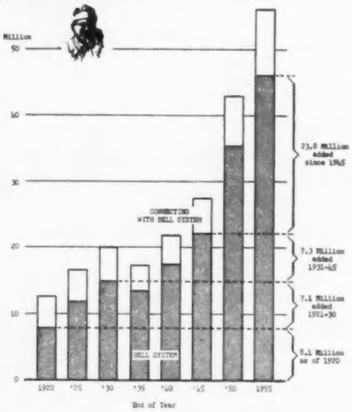
$100 Million Lab

Moreover, the company also has to offer future brainchildren to any corporation willing to pay "a reasonable royalty." The laboratory rearing of a brainchild is a costly item. Telephone, as an example, lavishes about $100 million each year on Bell Labs alone.

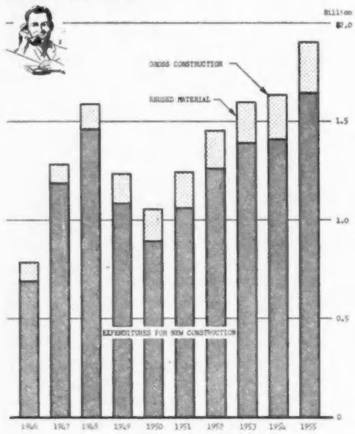
Telephone's only justification for such spending is the hope that it will be repaid many times over in the future. While the company has accepted the consent decree with good grace, it must wonder whether its costly development of such products as the transistor, the solar battery, the coaxial cable that makes possible network TV and Nike, the famed guided missile made by Western Electric should be passed on to less venturesome and imaginative companies.

Bell System telephones have increased from 8 million in 1920 to 46 million in 1955

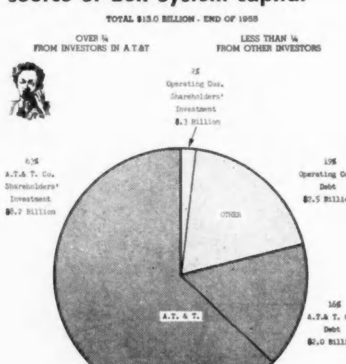
Over 60% of this increase has come in the postwar period.



Bell System gross construction has amounted to nearly $14 billion since the war



A. T. & T. investors are the main source of Bell System capital



Actually, Bell Labs long has been generous in sharing much of it know-how with small companies. Telephone perfected the transistor, now replacing the vacuum tube in many electronic devices, and in a few short years brought the sale price down to 90 cents each from $30. Numerous companies were licensed to produce transistors even in the early developmental stages, getting the benefit of the big company's know-how and paying only a nominal fee for the licensing privilege.

The long years of antitrust litigation against A. T. & T. by the Government ended early this year. The Justice Department originally aimed at ending the company's control of Western Electric. Rep. Emanuel D. Celler, the New York Democrat who is chairman of the House Judiciary Committee, is not satisfied with the settlement made in January. He has said his group will investigate the accord. This ardent New Dealer added these ominous words:

"If I had been handling that case, I would certainly have insisted that the two firms agree to split up. You can bet your sweet life another antitrust suit will be filed against A. T. & T. (if a Democratic Administration is elected)."

Working for Tomorrow

In no laboratory is the planning for tomorrow so expansive as at Bell. The televisionfone is only a minor example of what its scientists are working on. Plans and parts for this device already exist. Bell technicians probably could put a crude version of this device into service now—if enough people were willing to pay toll charges that would range upwards of $20 for a three-minute call. Bell believes a production model of the TV telephone may be offered in 15 or 20 years.

Yet another costly long-range task is determining what kind of new telephone equipment people prefer. Bell study of customer wants has uncovered desires for a lighter-weight instrument and pastel-colored units, already

ghly popular. Bell also is work-g on the idea of eliminating the rident clang of the telephone. It working on a lilting musical ne designed to attract attention ithout irritating eardrums. Fact , an entire volume would be re-ired to describe the hundreds f undertakings by this most med of research laboratories. nd it still wouldn't cover the mazing contributing this re-earch arm of Telephone has ade to the defense of the untry.

Nike, Sage and Dew

Every segment of the company as an important role in defense. utstanding examples of its im-ortance on this front are Nike, age and Dew. Let us spell out ach one:

Nike is the famed anti-aircraft uided-missile system developed y Bell in collaboration with ouglas Aircraft. Its prime func-ion is to destroy enemy aircraft. age stands for Semi-Automatic round Environment project, a ulti-billion-dollar aircraft warn-g system to be undertaken by e company for the Air Force. his is a system for tying to-ether radars and defense weap-ns through a chain of electronic omputing centers. It is not a new ir defense system but an im-rovement over the existing sys-em for which the telephone com-anies now provide communica-ions. In the Arctic region, con-truction is going forward on the Distant Early Warning Line (Dewline) of radar stations and lso on related military communi-ation facilities in Alaska.

The company also has a stake n atomic energy. The Sandia Corp., a Western Electric subsidi-ry, manages the Atomic Energy Commission Sandia Laboratory n New Mexico, which develops nd designs atomic weapons.

From the Investor's View

From the foregoing, it must be bvious that this is a company of the first rank—conservative in money matters and progressive in xploiting the growth areas of he economy. It has not hesitated o spend freely, of course, but hen only for expansion and de-elopment that promised quick nd rich rewards.

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As a company with its prime stake in the utility field, it has problems beyond corporate control—the politically-appointed rate-makers can (and often do) keep return on invested capital to a subsistence level.

Still, the company has managed to better its earnings position. Methods of operation, such as replacement of manual operation with the dial, have made for greater efficiency. Improvements in service have resulted in a greater call on the company's service. Sales efforts have been carefully applied to make the best possible use of physical facilities. And, of course, the forward surge in the economy has provided a tremendous lift.

As a result of all this, earnings of the Bell System applicable to A. T. & T. stock last year were $13.10 per average share. In the previous year, it was $11.92. The 6.8% rate of earnings in 1955 on total capital in the business was, in fact, the best since 1940. Nevertheless, the 1955 level of earnings was less than the company has earned in previous times of high business activity. On the basis of returns to date, the 1956 showing should surpass 1955. For the three-month period ended February 29, net applicable to the 53,976,630 average number of shares outstanding during the period was $3.28 a share. This compares with $3.18 on each of 49,164,950 average shares in the year-earlier period.

Split, Dividend Rise Remote

A. T. & T. often has been called the premier investment issue. Approached from that standpoint, it should occasion little disappointment to the investor. The stock now sells to yield a shade under 5%.

To be sure, long-time holders of the stock have received more than the $9 dividend per share each year. Valuable rights, entitling holders to subscribe to debentures which are convertible into stock at the owners' option, have been disbursed frequently. Those stockholders who did not wish to subscribe had the option of selling such rights. A stockholder who elected to sell such rights last year got a return of more than $3 in addition to the $9 dividend. No rights were issued in 1954, but in each of the three preceding years these rights were worth about $2.20. The average of daily closing quotations on the New York Stock Exchange is used in computing the worth of rights.

Aside from such increments, however, there is only the remotest prospect of the company increasing the dividend or splitting the shares in the foreseeable future. One of the hardiest perennials is the rumor in the financial community that the company will do either or both of these things "at the next meeting of directors" or "this year."

Those who deal in facts, rather than rumors, know that top management is against either a split or a dividend boost at this time. Hence, the purchaser of A. T. & T., who buys the shares on such hopes probably will have to wait a long time before these bonanzas materialize. The investor, looking for a generous yield in a prime investment that has substantial long-range growth possibilities should have no regrets. —END

Leader and Runner-Up in the Soft Drink Field

(*Continued from page* 244)

ured by sales that increased in 1955 by 113 per cent over 1950. Gross profit on sales over the same period have increased from $23.7 million to last year's $62.8 million while net income grew from $1.2 million in the earlier year to a record high of $9.4 million in 1955. On a per share basis 1950 net income was equal to 22 cents which is in contrast to $1.60 earned last year on 5,909,005 outstanding shares of common stock. The experience of the company in the 1956 first quarter indicates a continuation of the uptrend, case sales for that period being the highest for any similar quarter with estimated consolidated net income after taxes amounting to $1,480,000, or 25 cents a share compared with 1955 first quarter net of $1,170,000 or approximately 20 cents a share.

Since the resumption of dividends in 1952, payments have increased regularly reaching a total of $1.00 a share in 1955. Currently, the stock is on a 25-cent

quarterly basis to return a yield, at the present market price of the shares around 25, of approximately 4%. This issue, of course, is a long way off from attaining the investment status that has been held for so long a time by Coca-Cola, but appears to have speculative possibilities in view of the outlook for long-term growth. —END

For Profit and Income

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point. Up to this time there have been declines from earlier 1956 or 1955 highs ranging from around 31% to nearly 35% for American Viscose, Beaunit Mills, Celanese and Industrial Rayon. For all of these, except Celanese, business in tire yarns ranges from substantial to vital; and in this previously lucrative field there is a price war on between nylon tire yarn, of which du Pont is the dominant maker, and rayon tire yarn. In this kind of competitive battle, the market naturally must bet on du Pont, for which nylon tire yarn is, as another consideration, only one of numerous irons in the fire. The effect on Celanese, which has long been over-priced on earnings, is indirect and psychological. General textile business now is slow; and the tire-yarn struggle has awakened investors to the fact that price instability has at last come in previously price-stable synthetic fibers, and that it cannot be expected to be confined to tire yarns. Basis for more than technical rallies in these stocks is absent.

Coppers

The world copper price (London open market) now is below the U. S. domestic price of 46 cents a pound, after having been above it for a very long time. The producers can "thank" a series of shortage-creating mine strikes here and abroad, rather than basic growth of copper demand, for the skyrocketing of copper prices and profits. Without more strike-born distortions, supply will before long be in balance with, or in excess of, demand. As things look now, profit-taking in copper stocks makes more sense than new buying.

Stock Splits

Stock splits usually are followed

by some liberalization of dividends. There is profit in picking stocks that will be split in no great time. Splits depend on (1) a relatively high price level; and (2) whether management is favorably disposed, or opposed, to the idea of a split. The latter makes it a guessing game; but managements which have split their stocks in one or more instances in prior years can be assumed to be more or less partial to occasional splits. Here are some stocks which have been split in one or more instances in the postwar period to date, and which are around, above or not greatly below price levels at which previous splits were effected: Aluminum Co., American Home Products, Boeing, Gulf Oil, McGraw-Hill, National Lead and Union Carbide. It appears to be a pretty good bet that most, if not all, of them will be split this year.

Will Atomic Energy Unite Europe?

(*Continued from page* 221)

possible share of world demand in atomic equipment. Of course, Britain could not very well object to the establishment of a closed Common Market. In the first place it has itself benefited from discrimination against outsiders for quite some time now through the workings of the Imperial Preference system and in the second place it has been asked to join Euratom but rejected the invitation. The Euratom nations regret this rebuke since Britain is far more advanced and experienced in the utilization of atomic energy than any other country in the world, except the U. S. Its first large-scale commercial power station fueled by atomic energy will come into production before the end of this year and by 1965 there will be at least twelve commercial atomic energy power stations in Britain with a total annual capacity of twelve billion kwh, i.e. the equivalent of five or six million tons of coal.

As opposed as Britain is to Euratom as much it favors and supports the OEEC plan for international atomic cooperation. Briefly, this plan calls for a *voluntary* pooling of resources and information in peaceful atomic energy among OEEC member nations but without any cessation of national sovereignty to a higher body. According to the recent OEEC report on nuclear energy "the development of a European nuclear energy industry requires a considerable effort as regards equipment, technicians and expenditure. . . . Europe as a whole is very underequipped as regards nuclear energy. This is well illustrated by the respective position of Europe and the U. S." Report comes to the conclusion that, "taken as a whole, Europe's present nuclear effort falls very far short of its potential . . . the only chance of success is to act as quickly and effectively as possible, and this calls for some degree of co-ordination between the efforts of Member countries."

The proposed measures of cooperation would include the following main points: co-ordination of programs and projects; the promotion of joint undertakings between several countries, especially in the establishment of an isotope separation plant, a heavy water plant and research centers, all to be built on extra-territorial sites, if possible; the harmonization of national nuclear energy legislations; the standardization of equipment; the banning of any restrictions on foreign trade in nuclear fuel and equipment and, finally, the imposition of strict security measures to prevent nuclear material produced in the joint undertakings (mainly the isotope and heavy water plants) from being diverted to military.

The above measures were adopted last February in Paris as a blueprint for the OEEC's atomic energy policy. In reporting on this action, Harold MacMillan, Britain's Chancellor of the Exchequer and chairman of the OEEC Council, compared it in importance with the original decision to establish the OEEC. In both cases the decision had been accompanied by an act of American generosity, said Mr. MacMillan, but whereas in 1948 the OEEC was founded following the Marshall Plan aid offer, this time the intra-European effort had preceded the American offer of a supply of 44,000 pounds of enriched Uranium-235 to foreign nations. Mr. MacMillan predicted that Europe would receive "a substantial part" of this uranium. This in turn could obviate the immediate necessity of building an isotope separation plant—an extremely complicated and expensive affair—since enough atomic fuel might now be available to, at least, start the new program.

As was to be expected, those OEEC members which also belong to the Euratom project were not very impressed by the much more conventional approach of the larger organization. Both M. Spaak and French foreign minister Pinneau claimed the OEEC proposals were insufficient in their security measures. Nevertheless, they did agree with their fellow delegates from other countries that the two plans were by no means mutually exclusive and that, in fact, once Euratom is established it might well join the OEEC as one unit.

Thus, thanks to the concern for the future of atomic energy and the U.S.'s promise to release some of its nuclear fuel, the current year will probably see the first important new step in five years towards a united European economy. For Europe's energy sector this will mean, in the words of the OEEC report, the eventual chance to discard the depressing idea "that power costs in Europe are linked irretrievably with the price of coal and are therefore bound to rise" interminably and thus put the European economy in a progressively deteriorating position vis a vis the U. S. where cheap coal and oil are still available in abundance. —END

Autos, Accessories and Tires

(*Continued from page* 250)

The independent truck producers — including Mack and White Motor—are running well ahead of a year ago. The truck business is good because it is sharing in the capital goods boom. Business men are buying more trucks to achieve economical transportation. This is particularly true of the producers of heavy trucks.

Auto-Parts Manufacturer with Diversified Activities

For the makers of auto parts, the reduced volume of the auto companies this year is resulting, in most cases, in reduced earnings. The major parts producers —Bendix, Borg-Warner, Thomp-

son Products and Eaton Manufacturing—have greatly diversified their operations, and their non-automotive lines are holding up well, offsetting a dip in the auto-parts divisions.

The auto-parts companies which do not have such good diversification are feeling cutbacks going well beyond the indicated decline of 15% to 20% in auto production this year. The fact that major car producers are building more of their own parts means that there is less business available for independent producers.

Such companies as Borg-Warner, Bendix, Eaton and Thompson Products have invested large sums in new product development and their business with the auto and truck producers is therefore likely to continue. Borg-Warner's automatic transmission, for example, has been extensively used by Ford and other car producers. Bendix currently is carrying on intensive research in fuel-injection mechanisms, which may result in firm and continuing contracts in a few years. But the lesson is plain: to survive as a supplier to the Big Three, auto-parts companies will have to devote substantial amounts of money to research. Such costly research sometimes does not pay off, for the auto companies themselves may develop superior items in their own laboratories.

Eaton appears to be in one of the best positions in the parts industry. It is primarily a supplier of the truck companies and as a result, its sales were higher, and its earnings in the first quarter of this year were equal to $2.10 a share, against $1.84 a share in the same period of last year.

Rubber Outlook

The rubber-tire producers are showing a decline in shipments of original-equipment tires for new cars, but this is being partially offset by a rise in replacement-tire sales. All of the tire companies have important chemical operations, as well as overseas operations and these are standing in good stead on the temporary dip in tire sales.

Although the leaders in the tire and rubber industry are achieving greater diversification, especially in chemicals and plastics, tire sales continue to be their major source of revenue. During the

next five to 10 years, the number of passenger cars and commercial vehicles of all types will increase substantially, and replacement-tire sales are certain to show comparable growth. Original-equipment tires sales also will increase as the automotive industry enters the anticipated expanding market of the 1960's. Hence, on the basis of this outlook alone, the tire manufacturers are entitled to be rated as growth companies. To this outlook must be added the increasing diversification in the production of rubber items for consumer and industrial needs, and the expansion of operations in chemicals and plastics. —END

Demands of Labor Lords Threaten Our Economy

(*Continued from page* 215)

because their coffers have been swelled by substantial dues collections from the rank-and-file. In the case of the C.I.O. Steelworkers, monthly dues tote up to some $2,388,000, with each worker taxed $2.

The A.F.L. Teamsters, whose overlords long have shown a predilection for limousines, lavish mansions, liberal expense accounts and pensions (underwritten with the dues of truck drivers), puts other unions in the shade. Each of its 1,231,000 members must fork over $3.26 per month—providing a monthly take of more than $4 million for the Teamster's treasury.

What the Money Buys

No truck driver who holds a union card or working permit would dare ask, out in meeting, what need the union has for $48 million, collected annually from the wages of these toilers. Still, he must ask himself why the overlords of his union had to spend $6 million last year for a richly designed building just below Capitol Hill in Washington. This rich union also has a $35 million bank account and holds the pursestrings on strike benefits—$15 a week.

Westinghouse workers are familiar with the high-handed methods of labor leaders, who kept them out on strike for five months. Some 44,000 employes lost $100 million in wages, which can never be recovered, for t dubious privilege of eating mea in soup kitchens set up at uni halls. Thousands of workers r turned long before the uni came to terms. Many of the were subjected to bodily harm.

Unions representing Westin house workers, of course, ha nothing like the affluence o tough elements for which t Teamsters Union is famed.

Convicts Prominent in Teamsters

Not a few teamsters officia have been under Governme scrutiny and quite a number ha gone to prison. If it is true tha "birds of a feather flock t gether," then there is no difficult in understanding the attractio that the crime-ridden Interna tional Longshoremen's Associa tion has for the Teamsters Unio

The criminals who controlle the I.L.A. were too much for eve the A.F.L. to tolerate, hence tha union, which controls the water front in New York and othe major port cities, was expelled b the parent organization. One o the union locals of the I.L.A. i known with good reason to mem bers and the public as "the Pist Local." Labor's high comman now is pressing an inquiry int the pact (since dissolved) of th Teamsters and the I.L.A.

Teamster officials, in many in stances, can match the waterfron breed. A secretary-treasurer o two teamster locals last mont was sentenced to prison for con tempt of court. A Federal cour imposed the term after the union ist had declined to answer a series of questions before the court and the Federal grand jury investigating racketeering in the trucking and garment trades Earlier, another official of the Teamsters Union was sentenced for refusing to produce the local's books and records.

Exploitation of Labor

Numerous unions are allergic to bookkeeping and record-keeping. Fear of losing their job and worse—bodily harm—keeps many workers from speaking out against such practices as collection of dues for which no stamp is issued to show payment. This is a "piker" operation, for the big money comes in the checkoff

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Demands of Labor Lords Threaten Our Economy

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of dues by the employer, who turns over this booty to the union.

Welfare funds, paid in by corporations (but, in the final analysis, by the public), have bred what John L. Lewis, president of the United Mine Workers, has called "human jackals." Mr. Lewis has demanded Federal prosecution of those who mismanage these funds.

A One-Man Operation

Practices range from slopping bookkeeping to a \$900,000 embezzlement. The public, which pays the bill, of course, seems to have little idea of the size of these funds. Fact is, they have grown to the point where they are supposed to benefit 29 million working folk and 46 million of their dependents.

Assets of the pension funds now total about \$25 billion.

It is not difficult to imagine the kind of bonanza this represents to many union chieftains. A Senate Labor subcommittee last year was intrigued by a one-man operation in Chicago, headed by Angelo Incisco, who did not answer the Senators' subpoena to testify. He is president of the Amalgamated Local 286 of the A.F.L. United Automobile Workers and chairman of the board of the American Continental Insurance Co., which carried the welfare policy on 3,500 union members.

Testimony by other witnesses included the following: Incisco persuaded employers to make out monthly premium checks to the union instead of to the insurance company. Premium was \$6.15 per employe per month. Incisco, before forwarding the premiums to the insurance company, deducted \$1 from each, plus 4% for "administration."

It was also testified at the time that the \$1, plus 4%, deducted from the premiums went into the local union's bank account, but what became of it after that was not brought out because of the refusal of the one-man operation to come to Washington and the absence of union records.

Total Disclosure Needed

Turning loose the Incisco type of operator amidst any part of $25 billion in pension funds must inevitably breed costly shenanigans. Congress now is moving to remedy this bad situation. The Senate group, headed by Senator Paul H. Douglas of Illinois, last month recommended a total disclosure law that would require all private welfare and pension plans to open books to governmental inspection.

Probably nothing stirred the committee of Senators so much as the case involving the Laundry Workers International Union, which designated Louis B. Saperstein as its "insurance agent." The subcommittee report stated: "The embezzlement of over $900-000 was traced to Saperstein, who was obviously in collusion with at least one of the union officials, E. C. James, secretary-treasurer of the international."

Economic Implications

Investors and business folk are not, by and large, avid readers of tabloid newspapers—they are too busy or too high-minded, perhaps. Yet they would scarcely deny that, while they have neither the free time nor the intellectual inclination toward running accounts of labor welfare and union corruption, the economic implications of such episodes are considerable.

Business and, indeed, the entire community pay heavily for illicit practices that range from pilferage on the waterfront to mis appropriation of funds collected from corporations ostensibly for the welfare of millions of rank-and-file union members. In early 1953, to cite an example, demands for personal payoffs by some labor leaders in the St. Louis area had boosted construction costs by as much as one-third. In New York State, the grip on certain industries is so vicious that business people, workers and consumers fear to speak out. So bad has the situation become that Jacob K. Javits, the Attorney General, has promised to afford protection to anyone who will come foward with information.

More Subtle Methods Employed

The difficulty of coping with present-day corruption is compounded by the fact that there is less resort to physical attack and damage of goods. Criminal elements today often operate by gaining control of or forming organizations akin to the many legitimate trade associations serving the business community. In this manner and often in alliance with counterparts in trade unions, racketeers obtain mastery over large segments of industry.

Federal authorities have a number of legal weapons useful in combating these vicious elements, including the Hobbs Anti-Racketeering Act, certain sections of the Taft-Hartley Law and (as a bludgeon) income-tax laws.

Job For the Community

The close proximity to the Congress of the $6 million Teamsters Union headquarters and other labor edifices symbolizes the powerful lobby that this segment of our society has become in the past several years. Their power has spread far beyond the factory, where it often is a dire threat to the stability of the economy. This spill-over into the political arena is highlighted by their dominant voice in the political councils of Michigan and New York, and labor rule of scores of cities. They have enormous boodles that can help those who do their bidding and punish those who ignore their wishes.

Thus, labor has moved a long way from the doctrine of Samuel Gompers, founder of the A.F.L., who decried any policy that would hitch labor to the political cart. In view of the present-day influence of the labor chieftains, who spend millions of their members' funds to enlarge their role in the political arena, it would seem that any righting of the current imbalance must come from an aroused citizenry.

It can hardly be expected to come from a political party that permits union chieftains to handpick Presidential nominees.

Still, an aroused community can demand of public officials the kind of legislation that would throw the spotlight on the handling of dues and welfare funds, the expenditure of funds in political campaigns and the character of the men who have the power to make or break corporations and even whole industries.—END

Answers to Inquiries

(Continued from page 243)

United's net working capital as of December 31, 1955 was $15,502,008, compared with $16,197,452 at the end of 1954. The general financial position of the company has been maintained at a comfortable level with no short-term loans existing as of the end of 1955. Inventories and receivables have progressively increased throughout the year, reflecting an increased volume of production at all plants.

Company's consolidated backlog of business carried forward into 1956 amounts to approximately $76,400,000, compared with $41,600,000 a year previous. This backlog represents a volume of business assuring good operations throughout 1956.

American Machine & Foundry Co.

"I am a subscriber to the Magazine of Wall Street and would appreciate receiving late information in regard to American Machine & Foundry Co."
C. M., Madison, Wisc.

American Machine & Foundry Co. is the dominant maker of cigarette, breadmaking and numerous other machines. Activities have been greatly expanded in recent years and range from bowling pin-setting machines to atomic energy. Many machines are leased and rentals now comprise an important portion of income.

Sales and rentals for the year 1955 amounted to $145,001,000. This was 14.6% greater than the $126,507,000 total of 1954.

Net income after taxes in 1955 amounted to $4,774,000, an increase of almost 19% from the 1954 figure of $4,023,000.

Earnings per common share, after preferred dividends, amounted to $1.66 in 1955, against $1.64 in 1954. The slight increase in per-share earnings, despite the significant increase in net earnings, is attributable to the fact that 421,832 more shares were outstanding at the end of 1955 than was the case a year earlier. There were 2,660,240 shares of American Machine & Foundry common stock outstanding at the end of 1955, compared with 2,238,372 at the end of 1954.

Rentals of AMF machinery rose to $14,065,000 last year, an increase of more than 50% over 1954's rental total of $9,364,000. This sharp and highly encouraging increase was almost entirely due to the installation of 4,000 additional AMF Pinspotters during 1955 — 500 more than was forecast a year ago. Unfilled orders for the AMF Automatic Pinspotter, an American Bowling Congress-approved machine which sets the pins and returns the ball in the game of tenpin bowling, are said to be running at record levels. There were 8,455 machines operating in the U. S. and Hawaii at the end of 1955. Contracts received during February, 1956, were declared as almost double the December high. The rate at which the new leases for the pinspotter was being received in December had earlier been reported as 850 a month. The company expects to install between 6,000 and 7,500 additional pinspotters in 1956.

Unfilled orders at the end of 1955 amounted to $72,376,000, greater by $5,466,000 in the backlog existing at December 31, 1954.

For the fourth quarter, sales and rentals exceeded the first quarter by 55%, with a greater improvement in profits. The trend reflected by the exceptional fourth-quarter results is continuing and gives every indication that 1956 sales and rentals will be higher than 1955.

Company estimates net earnings for the first three months of 1956 at about 80 cents a share on 2,723,398 common shares, against 35 cents a share on 2,356,183 shares for the 1955 first quarter. Improvement was attributed to increased rentals of automatic bowling pinspotter and to higher sales in nearly all product lines.

At the end of March, 9,368 of company's bowling pinspotters had been installed against 4,600 in operation in like period of 1955. Contracts for an additional 4,310 pinspotters were entered into during the first quarter of 1956.

Cash dividends of $1 per share plus 2% in stock were paid in 1955 and 25 cents quarterly thus far in the current year.